FINANCIAL TIMES

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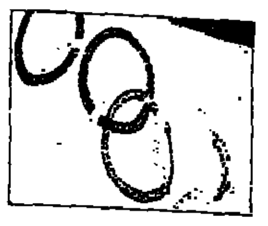

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Can IOC clean up its act?
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Three-way battle is truly disastrous
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Middle East banking
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Bill Gates on business

Interview: tomorrow

Exclusive extracts from his new book start on Thursday

WORLD NEWS

Chinese leader to go to US despite cooling of relations

Zhu Rongji, China's prime minister, resolved to go to the US next month for talks in spite of what he acknowledged would be an "unfriendly atmosphere". Charges that China stole nuclear secrets from the US have soured relations between the countries. **Page 18; China studies computer warfare, Page 4; Star Wars: the sequel, Page 16; Editorial Comment, Page 17**

West puts pressure on Yugoslavia
The west has started to increase pressure on Yugoslav president Slobodan Milosevic to agree an overall Kosovo peace deal, after his Albanian opponents said they would do so. **Page 18**

German SPD moves to quell revolt
The leaders of Germany's governing Social Democratic party moved to quell a revolt against a possible shift to the right after last week's resignation of Oskar Lafontaine as finance minister and party chairman. **Europe, Page 2**

Latin America facing recession
A reduction in external financing, low commodity prices and high interest rates will push Latin America into recession this year, according to forecasts published by the Institute of International Finance. **Latin-America, Page 8**

Warning on travel to Turkey
Germany and Britain warned their nationals about travelling to Turkey following a spate of bombings and threats by Kurdish guerilla that tourist resorts were within their "field of war". **Europe, Page 3**

Coin makers warn of euro delay
Europe's two largest coin producers warned that order delays and specification changes for the euro could disrupt the timetable for the physical introduction of the European single currency in 2002. **Europe, Page 2**

East Timorese to vote on autonomy
Indonesia said it would allow the East Timorese people to vote in July on whether to accept Jakarta's offer of wide-ranging autonomy. **Asia-Pacific, Page 4**

Moslem cleric arrested in London
Abu Hamza, the radical Moslem cleric wanted by the Yemeni government for his alleged involvement in terrorism, was arrested in London yesterday. **UK, Page 10**

Sydney 'broke' IOC guidelines
An independent inquiry found Sydney guilty of breaking International Olympic Committee guidelines during its campaign to host the 2000 Games, but cleared the Australian city of bribery and corruption charges. **International, Page 6**

Legionnaires' disease kills three
Three people died and more than 40 were believed to have been infected with Legionnaires' disease after visiting a flower auction in a Dutch town last month.

BUSINESS NEWS

Veba sells off C&W stake in biggest single London trade

Veba, the German conglomerate, sold a 10.2 per cent stake in Cable and Wireless in the biggest single block trade carried out on the London stock market. ABN Amro and Cazenove, C&W's joint brokers, placed the 246m shares with institutional investors at 735p, raising £1.8bn ($2.9bn). **Page 19; Lex, Page 18; London stocks, Page 38**

Fuji and Sumitomo, two of Japan's largest banks, are to sell off some of their shareholdings in related companies as part of the country's financial reforms. **Page 19**

Toronto stock exchange is to be the centre for all large capital equity trading under a restructuring of the Canadian markets. Montreal will handle futures and options and the Alberta and Vancouver exchanges are to merge, subject to regulatory approval.

Banque Nationale de Paris said the investment banking operations of Paribas would remain autonomous if BNP were to succeed in its double bid for the company and Société Générale. **European companies, Page 20; Peter Martin, Page 16; Observer, Page 17; Lex, Page 18**

Olivetti, the Italian telecommunications company that has launched a hostile bid for Telecom Italia, will unveil its strategy to the investment communities in Milan and London. **European companies, Page 20**

DuPont, the US-chemicals and life sciences group, plans to devote over $500m a year to research and development after its acquisition of Pioneer Hi-Bred, the Iowa-based seed company. **Page 19**

BASF, the German chemicals group, forecast lower 1999 profits on flat sales due mainly to declining prices. **European companies, Page 20**

El Paso Energy has agreed to buy Sonat for about $3.9bn in stock plus about $2bn in debt, in a deal that would create the largest US natural gas pipeline company. **American companies, Page 23**

Tomkins, the UK food, building products and engineering group, is planning to spend up to £417.5m ($672m) in its latest share buy-back programme. **UK companies, Page 26**

Roche, the Swiss drugs company, hopes to file an influenza drug with the US Food and Drug Administration "imminently". **European companies, Page 20**

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets.
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Fraud report attacks EU executive for severe failings

By Emma Tucker, Michael Smith and Peter Norman in Brussels

The European Commission was last night rocked by a devastating report criticising several commissioners, including the president, Jacques Santer, over allegations of fraud, nepotism and mismanagement.

Mr Santer and Edith Cresson, the former French prime minister, came under immediate pressure from political groups in the European Parliament to step down after the report revealed widespread malfunctioning inside the European Union's executive.

The five-person committee of independent experts criticised the Commission administration "up to the highest level of command" and remarked that there was a growing reluctance among senior Commission officials to acknowledge responsibility.

"It is becoming difficult to find anyone who has even the slightest sense of responsibility," said the committee, set up six weeks ago after the Commission narrowly survived a censure vote in the European Parliament. The Commission was due to meet last night to discuss its reaction to the report.

However, the 144-page report said it encountered no cases where a commissioner was "directly and personally involved in fraudulent activities".

The report was the most serious blow to the credibility of the EU's executive since it was formed in 1958. It accused the body, charged with policing Europe's single market and framing its legislation, for failings at every level.

Mrs Cresson, the research and education commissioner, was singled out for "a clear-cut case of favouritism" in which she awarded a contract to her friend, René Berthelot, even though his qualifications "did not correspond to the various posts to which he was recruited".

"The work performed was manifestly deficient in terms of quantity, quality and relevance," it said. The Committee also said it was "unacceptable" that Mrs Cresson, the research and education commissioner, had failed to respond to "known, serious and continuing irregularities over several years" in the administration of the EU's €620m Leonardo youth training programme.

The report included an attack on Mr Santer, and his private office, for allowing the Commission's security services – for which he was responsible – to develop into a "state within a state" with devastating consequences.

Alan Donnelly, leader of the Labour party at the European Parliament called for the immediate resignation of Mr Santer. "I am not confident that Jacques Santer can carry out the fundamental changes required to restore public confidence and alter the culture in the Commission," he said.

Magda Aelvoet, leader of the Green group, said: "On the basis of these elements, it is obvious that Mrs Cresson has to step down."

Other commissioners were singled out for bending staff rules to employ friends and family.

Duty free, Page 2
Editorial Comment, Page 17

Nomura calls for loans amid reports of real estate losses

By Gillian Tett in Tokyo

Nomura Securities, Japan's biggest broker, is pressing large Japanese banks to extend up to Y300bn ($2.4bn) worth of subordinated loans to shore up its capital base.

The move comes amid market expectations that Nomura will soon report heavy domestic losses arising from its exposure to Nomura Finance, its domestic real estate affiliate.

Nomura officials confirmed they were examining the situation at Nomura Finance and seeking to raise subordinated loans to strengthen the broker's capital position.

It has not yet indicated the scale of its exposure to the losses at Nomura Finance, which does not publish open accounts, and is believed to have around Y1,000bn in assets.

However, some Japanese banks have indicated that Nomura's losses could total up to Y300bn. This presents another blow for the broker, which recorded around $1.3bn of first-half losses in overseas markets such as Russia and US real estate securities.

Nomura insists it avoided additional overseas losses in the second half. However, if it recognises the domestic losses at Nomura Finance this year, it could post an overall loss of almost Y500bn for the 1998 fiscal year on a capital base of Y1,600bn. Bob Garone, an analyst at Dresdner Kleinwort Benson, said: "In the first half the hit was from overseas, but now it is domestic. This [loss] is huge."

Nomura hopes to meet this loss partly from its earnings, which have been relatively healthy in recent years. However, it is also considering selling assets. Paul Heaton, analyst at Deutsche Bank, believes these could include real estate, the assets held by the Principal Finance Group in London, and Nomura's software subsidiary, NRI.

Nomura has also considered selling its 34 per cent stake in Kokusai Securities but has delayed because Kokusai is being investigated by regulators. However, the broker is unlikely to be able to sell these before the end of this fiscal year and hopes to offset the blow to its capital base with subordinated loans from banks such as Sanwa, Sakura and Industrial Bank of Japan.

"In the worst case scenario these losses could reduce [the capital] by 30 per cent", Mr Heaton said. "But Nomura is a lot less leveraged than US banks this is not the end of the world."

Nomura's capital to risk assets ratio, the key indicator of financial strength for brokers, dropped to about 270 per cent at the end of the first half, down from 310 per cent in March 1998.

Nomura yesterday declined to say if the banks would provide the loans. However, Sanwa said it was "positively considering" the request and other banks are expected to follow suit, having already extended large loans to Nomura Finance themselves.

The Northern Ireland peace process was rocked by the murder of Rosemary Nelson, a prominent lawyer, killed when her car was ripped apart by a car bomb in county Armagh. The attack comes ahead of a St Patrick's Day reception in the White House when President Bill Clinton is expected to urge all sides to be flexible. Page 18 Picture: AP

CHAIRMAN LIKELY TO OUTLINE AIM OF 30%-40% STAKE IN CARMAKER

Renault chief poised to reveal plans for Nissan

By Alexandra Harney in Tokyo and David Owen in Paris

Louis Schweitzer, Renault chairman, is expected today to present to the French carmaker's board plans to buy a 30-40 per cent stake in Nissan Motor in what would be the largest single investment by an overseas company in a Japanese carmaker.

People familiar with the situation said Mr Schweitzer would probably tell his board at a meeting this morning an offer had been made, but indicated it was unlikely to be known whether Nissan had accepted the partly state-owned carmaker's offer until later this month.

Nissan Motor shares had surged 13.2 per cent to Y454 in heavy trading in Tokyo amid growing signs that the carmaker was likely to agree a capital tie-up with Renault.

Nissan has been under pressure to find new sources of funding to reduce its debt load. Talks between the Japanese company and DaimlerChrysler collapsed last week.

For Renault, a tie-up would mark a giant step in attempts to make the group more international.

Last year, only 330,000 of the group's record 2.13m car and light commercial vehicle sales came outside western Europe.

The company aims to double sales to 4m by 2010 and almost all this growth would come from outside western Europe.

People close to the situation indicated that Renault executives were expected to approve an investment worth about Y500bn ($4.2bn) in Nissan, together with the dispatch of at least two directors, including a vice-president, to join the Japanese carmaker's board.

According to Japanese press reports, this would include a Renault executive serving as Nissan's chief operating officer.

Renault officials in Tokyo said the group was aiming to purchase at least 33.4 per cent but less than 40 per cent of Nissan. Under Japanese corporate law, such a stake would enable the French carmaker to veto decisions made by the Nissan board.

Yoshikazu Hanawa, Nissan president, flew to Paris over the weekend to meet Mr Schweitzer and is understood to have presented the possible alliance to Nissan executives in Tokyo yesterday.

Nissan refused to comment on any aspect of the negotiations. However, Mr Hanawa was quoted in the Japanese press as saying that he had concluded a basic agreement with Mr Schweitzer about a capital alliance.

Analysts said a capital injection would help clear Nissan's heavy debt load. Last week, Moody's, the credit-rating agency, lowered its rating on Nissan's debt from Baa3 to Ba1, equivalent to "junk bond" status.

Until now, foreign carmakers have preferred to raise their stakes in Japanese companies incrementally, often over decades, thereby limiting the size of each investment.

Ford Motor, which controls 33.4 per cent of Mazda Motor, increased its stake in the company from 25 per cent in 1996.

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Lex, Page 18

WORLD MARKETS

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	9,933.24	(+56.24)
NASDAQ Composite	2,410.05	(+28.52)
Europe and Far East		
CAC40	4,185.12	(+10.09)
DAX	5,029.24	(+21.08)
FTSE 100	6,206.8	(-75.4)
FTSE Eurotop 300	1,252.01	(-7.67)
Nikkei	15,779.60	(+290.74)
US LUNCHTIME RATES		
Federal Funds	5.0%	
3-mth Treas Bills: Yld	4.60%	
Long Bond	95⅞	
Yield	5.54%	
OTHER RATES		
UK: 3-mo Interbank	5⅜%	(same)
UK: 10 yr Gilt	110.23	(110.25)
Euro Euribor	3.039%	(3.047%)
Germany: 10 yr Bund	97.88	(97.89)
Japan: 10 yr JGB	100.079	(100.069)
NORTH SEA OIL (Argus)		
Brent Dated	$12.42	(12.31)

GOLD		
New York: Comex		
(Mar)	$286.8	(292.6)
London:		
	$289.85	(291.75
DOLLAR		
New York: lunchtime		
£	1.623065	(1.6320)
€	0.9139	
SFr	1.46325	
Y	117.635	
London:		
£	1.6217	(1.6267)
€	0.9137	(0.9138)
SFr	1.463	(1.461)
Y	118.065	(119.2)
Tokyo close:		Y 118.415
EURO (London)		
$	1.0944	(1.0944)
£	0.6748	(0.6698)
Y	129.21	(130.447)
SFr	1.6011	(1.5941)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Ls1.85	South Africa	R16
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	L£P3.500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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WORLD NEWS
EUROPE

DUTY FREE SALES GERMAN PLAN FOR EXTENSION FAILS TO WIN BROAD SUPPORT ☐ PROTEST STRIKE HALTS CHANNEL FERRIES

EU ministers still divided over duty free

By Peter Norman in Brussels and Robert Graham in Paris

The future of duty free sales within the European Union beyond this year's planned July 1 expiry date appeared bleak yesterday, after EU economics and finance ministers split over a German plan for a 30 month extension.

Underlining the emotive nature of the debate on duty free, French workers yesterday blocked traffic between France and the UK at Calais in a protest timed to coincide with the Ecofin meeting in Brussels.

The German compromise proposal to exempt sales from excise duties until the end of 2001 but subject them, as planned, to value added tax from July was backed by Britain, France, Spain, Greece and Ireland. But with Denmark, the Netherlands and Belgium strongly opposed and objections from Finland, Portugal and Italy, it fell far short of the unanimous support needed to secure a reprieve.

The Ecofin council agreed the issue should be examined again by Coreper, the powerful committee of ambassadors to the EU, which would report back to the next meeting of economics and finance ministers.

The council could not agree on a proposal from Gordon Brown, the UK chancellor of the exchequer, to refer the problem to next week's special summit of EU leaders in Berlin. However, Mr Brown said afterwards he believed the Berlin summit would discuss the duty free question and that it would also be on the agenda of today's meeting in London of the UK prime minister, Tony Blair and Gerhard Schröder, the German chancellor.

If duty free is raised in Berlin, it will be the third time that EU heads of government have discussed reversing a decision agreed unanimously seven years ago – so far to little effect.

Diplomats pointed out that time was running out for duty free sales in the EU. Unless a stay of execution is agreed reached shortly after the Berlin summit, it will be impossible to obtain the necessary approval of the European Parliament before it dissolves ahead of June's European parliamentary elections.

Yesterday's protest, organised by the CGT, the most powerful union in the Calais area, was staged to highlight fears of job losses with the suppression of the duty free business. The unions fear up to 15,000 jobs are at risk in France. Yesterday's action saw ferry links cut for most of the morning and the Channel Tunnel briefly blockaded.

● Gerhard Schröder, the German chancellor, yesterday said it was vital for European Union member states to reach agreement on budget contributions and institutional reforms at this month's EU summit in Berlin. Tim Burt writes from Stockholm.

Mr Schröder, speaking in Stockholm following a meeting with Swedish counterpart Göran Persson, warned that both countries wanted to "achieve justice" over their contributions to the EU. Germany and Sweden are two of the largest net contributors to Brussels and have been campaigning hard for a reduction in their annual payments.

Under fire

Edith Cresson
French commissioner for research and education policy
Awarded "visiting scientist" contract to her friend René Berthelot, a dentist.

Responsible for the Leonardo Da Vinci Programme, regarding which four cases of suspected fraud sent to Belgian police. Programme implements EU's vocational training policy.

Manuel Marin,
Spanish commission vice president
Was responsible for Echo, EU's Humanitarian Aid office, in 1993-1994, when aid funds allegedly were misused in four contracts worth Ecu2.4m. Abuses included forged invoices; bogus reports: and suspected embezzlement. Responsible for Med, Commission's assistance programme for mediterranean countries. Irregularities alleged in management of Med programmes by company responsible for their administrative and financial implementation.

Anita Gradin
Swedish commissioner in charge of Uclaf, the in-house anti-fraud unit
Accused of consistently failing to deal aggressively with allegations of fraud.

Erkki Liikanen,
commissioner for budget and personnel policy
Parliament unhappy his reform of staffing policy has not gone far enough, particularly to end the practice of filling Commission "cabinets" with friends and family members and then "parachute" them into permanent jobs in the Commission's bureaucracy.

Jacques Santer
commission president
Accused of failing to deal with fraud during his term and being closely watched on whether he does enough to rectify the situation now. Takes final responsibility for allegations that the award to Group 4 Securitas company of a contract for guarding Commission buildings was manipulated to increase the company's profit.

COMMISSION FRAUD REPORT COMMITTEE FINDS WIDESPREAD MALFUNCTIONING

Cresson - a politician who spurns convention

By Emma Tucker in Brussels

Calamitous is about the only way to describe the political career of Edith Cresson, the tough, populist former prime minister of France.

From her dismissal of British men as a bunch of homosexuals to her description of the Japanese as "ants", the *grande dame* of French socialist politics has enjoyed walking roughshod over diplomatic conventions.

Now caught up in allegations that she used her position as research commissioner in Brussels to dish out comfortable jobs to her friends, Mrs Cresson has refused, point-blank, to admit she has done anything wrong. The fact that she appointed a dentist friend from Châtellerault (the town where she was mayor) to a lucrative European Union post is not in dispute. The charges, however, she describes as part of an Anglo-German "conspiracy" against her.

The 65-year-old's defiance has done nothing to help her cause with the European Parliament, now baying for blood in a fraud scandal that has called into question not just Mrs Cresson's conduct but the whole way in which the European Union's executive body, the Commission, is organised.

Throughout the 1980s Mrs Cresson was a French cabinet minister covering agriculture, foreign trade and European affairs. She then served a 321-day stint as the country's first woman prime minister between 1991-1992, but was axed by her political mentor, François Mitterrand, then president of France.

On arrival in Brussels in 1995 as commissioner for research and education, Mrs Cresson was already well known. An MEP between 1979 and 1981, she was also a frequent visitor as minister for European affairs from 1988 to 1990. She was highly regarded for having overseen, during that era, adoption of the Commission's much feted merger regulation, which set out rigorous procedures and tough deadlines for the Commission's anti-trust procedures.

But as research commissioner she irritated colleagues by attempting to bend the rules in cases not directly under her command. She crossed swords with Karel Van Miert, the competition commissioner, on more than one occasion, accusing the Belgian socialist of pursuing his job with undue capitalist zeal, particularly when he allowed the merger of Boeing, and MacDonnell Douglas to go through.

After her initial year in Brussels she appeared to lose interest in her research job – which commands one of the biggest chunks of the EU budget after agriculture. She was said to turn up in Brussels on Tuesdays and leave on Thursdays. This was largely due to her other political commitments -including being mayor of Châtellerault, a small town south of Tours, until 1997.

Nowadays, Mrs Cresson says she has been spending all of her time defending herself against the allegations of cronyism and sleaze.


Edith Cresson: has denied all allegations

REPORT OBSERVATIONS

Hard to find sense of responsibility

From the section of the report dealing with Edith Cresson's hiring of René Berthelot.

Missions:
Virtually all his missions were to Châtellerault. On this essential point in the case, we consider it highly unlikely that these missions could be justified in the interests of the Commission. That strongly suggests... that the missions must have been mainly undertaken in the personal interests of Mrs Cresson when mayor.

Failure to produce work:
...there is a failure to produce even a minimum quantity of work of interest to the Commission and, particularly, a final report. A comparison with the reports normally submitted by visiting scientists makes this very clear.

An aspect difficult to justify – the missions to Châtellerault:
[The missions to Châtellerault] may, therefore, be regarded as evidence of the fictitious nature of the "scientific advice" which Mr Berthelot was in principle deemed to be giving, and demonstrate his failure to submit any work of interest to the Community in this capacity.

A case of favouritism:
In conclusion, what we have here is a clear-cut case of favouritism. A person whose qualifications did not correspond to the various posts to which he was recruited was nonetheless employed. The work performed was manifestly deficient in terms of quantity, quality and relevance. The Community did not get value for money.

Moreover, the person recruited worked mainly as a personal staff member of the commissioner, and there are very strong grounds for believing that he was often used in a manner which had little to do with the commissioner's work on behalf of Europe.

From the report's conclusions – favouritism:
Very often, the appointment of an individual numbered among the close friends, or the "entourage", of a commissioner to a well-remunerated position in the Commission, or the granting of an equally well-remunerated consultancy contract, contravenes existing rules.

Control mechanisms:
Within the Commission, the internal audit and control mechanisms failed to work effectively.

Responsibility:
The Commission does not have a simple, rapid and practical internal financial procedure to establish individual responsibility for the irregularities, and the instance of fraud which may result, perpetrated by its own officials. It is becoming difficult to find anyone who has even the slightest sense of responsibility... The temptation to deprive the concept of responsibility of all substance is a dangerous one. That concept is the ultimate manifestation of democracy.

EU CURRENCY COIN PRODUCERS WARN OF POTENTIAL DELAYS

Euro coins may be too few, too late

By Tim Burt in Stockholm

Europe's two largest coin producers yesterday warned that order delays and specification changes for the euro could disrupt the production timetable for the physical introduction of the European single currency in 2002.

Outokumpu of Finland and Germany's KME, which together are expected to produce more than 50 per cent of the blank coins for Europe's mints, said the production schedules for supplying the new coinage had been delayed by up to six months.

The metal companies also claimed that a number of European mints were facing severe problems with coins that failed to meet the alloy specifications for the new currency, due to be phased in across the euro zone between January and July 2002.

Under the original timetable for the introduction of euro coins, 65 per cent of the estimated 70bn coins required in the euro-zone were due to come into circulation at the start of 2002.

"My estimate is that perhaps only 50 per cent will be minted on time," said Ari Vahteristo, vice-president of the coinage business line at Outokumpu.

KME blamed the shortfall on delays in issuing tenders to the coin producers, which were originally supposed to be out in mid-1998.

"The mints could be late in producing the necessary number of coins because we were late in getting the orders," said Christoph Geyer, director of corporate communications at KME.

The EU's mint directors committee, which has responsibility for the introduction of the coins, declined to comment.

Some of the problems have been caused by delays in reaching an agreed specification for the 10, 20 and 50 cent euro coins, to be produced from so-called Nordic gold alloy – a combination of copper, aluminium, zinc and tin.

The original specification for the coins was abandoned last year following complaints by the European Blind Union, the organisation representing 7.5m blind or partially sighted people, that the design was too confusing.

A new specification has still not been finalised, according to the European Vending Association, which last week met the EU mint directors committee to discuss the coinage issue.

The discussions are thought to centre on the conductivity – or electrical signature – of the alloys in the coins.

Only coins with the correct alloy specification will be recognised by the EU's estimated 9m vending machines.

Outokumpu and KME said some of the EU's 15 mints had encountered problems because preliminary batches of blank coins sourced from outside Europe – understood to be metal producers in South Korea and Chile – did not meet initial specifications and were therefore unusable.

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R

UK move puts brake on car market

By John Griffiths

The long period of growth in western Europe's new car market went into reverse last month – but the drop in registrations was due entirely to structural change in the UK market.

Alterations to the UK's vehicle registration plate system, introducing an age identifier in March and September instead of once a year in August, sent UK registrations plunging by 32.6 per cent year-on-year in February. This dropped the month's total registrations in the 18 countries of the region by 3.7 per cent, to 1,101,548 from 1,144,300 in the same month last year.

A sharp fall in UK registrations in January, as potential buyers began withholding orders until the new March plate, had already brought growth almost to a halt in the region, so registrations for the first two months of the year as a whole were 1.7 per cent lower than a year ago at 2,362,920.

According to statistics from the European Automobile Manufacturers Association, ACEA, the UK drop more than offset renewed growth in France, up 13.3 per cent in February; Spain, up 24.6 per cent and Portugal, up 42.6 per cent.

The struggle against recession in Germany, Europe's largest market, also had a dampening effect on the overall market, with February's German registrations down 3.7 per cent to 270,000.

Freer availability of the new Golf, the launch of the new Beetle and other Volkswagen model variants helped Europe's largest vehicle maker buck the trend, lifting VW brand registrations by 23.5 per cent year-on-year in February.

West European new car registrations
Jan-Feb 1999

	Volume (Units)	Volume Change(%)	Share (%) Jan-Feb 99	Share (%) Jan-Feb98
TOTAL MARKET	2,362,920	-1.7	100.0	100.0
MANUFACTURERS:				
Volkswagen group	453,197	+13.6	19.2	16.6
– Volkswagen	295,681	+25.2	12.5	9.8
– Audi	72,524	-6.1	3.1	3.2
– Seat	59,999	-0.1	2.5	2.5
– Skoda*	24,993	-2.3	1.1	1.1
PSA Peugeot Citroen	283,288	-1.1	12.0	11.9
– Peugeot	171,360	+3.6	7.3	6.9
– Citroen	111,928	-7.6	4.7	5.0
Renault	260,451	+7.1	11.0	10.1
General Motors#	262,021	-3.7	11.1	11.3
– Opel/Vauxhall	250,547	-3.2	10.6	10.8
– Saab**	9,931	-14.7	0.4	0.5
Fiat group##	273,888	-10.5	11.6	12.7
– Fiat	210,484	-12.0	8.9	10.0
– Lancia	29,083	-14.2	1.2	1.4
– Alfa Romeo	33,993	+4.2	1.4	1.4
Ford group#	216,701	-20.7	9.1	11.2
– Ford	214,694	-20.1	9.1	11.2
– Jaguar	2,007	-55.0	0.1	0.2
DaimlerChrysler	130,314	+24.4	5.5	4.4
- Mercedes-Benz	114,190	+26.9	4.8	3.7
- Chrysler	16,124	+9.4	0.7	0.6
BMW group	111,674	-14.4	4.7	5.4
BMW	70,935	+6.6	3.0	2.8
Rover	40,739	-36.3	1.7	2.7
Volvo	37,702	-13.4	1.6	1.8
Nissan	62,817	-12.5	2.7	3.0
Toyota	62,223	-13.6	2.6	3.0
Mazda	36,550	+14.6	1.5	1.3
Honda	29,452	-19.1	1.2	1.5
Mitsubishi	30,916	-1.1	1.3	1.3
Total Japanese	261,676	-7.3	11.1	11.7
Total Korean	64,508	+19.5	2.7	2.2
MARKETS:				
Germany	543,132	+0.2	23.0	22.5
Italy	460,500	-8.2	19.5	20.9
United Kingdom	265,882	-35.0	11.3	17.0
France	314,322	+13.3	13.3	11.5
Spain	190,882	+20.1	8.1	6.6

*VW holds 70 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe
**GM holds 50 per cent and management control of Saab Automobile
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source: ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded

NEWS DIGEST

FRAMEWORK FOR WORKING WEEK

French employers urge delay to 35-hour week

French employers yesterday called on the government to delay the introduction of the 35-hour week by a year until January 2001.

The call came from Ernest-Antoine Seillière, head of Medef, the employers' federation, as the government prepared to draw up a second law providing details of how the 35-hour week should be applied. The initial law gave the broad framework for employers to negotiate a cut in the working week with unions.

This law envisaged the reduction in the working week from 39 to 35 hours should begin next January for all companies employing over 20 people, and two years later in companies employing fewer than that. French business has been hostile to the proposal from the outset but until now they have given no hint of any move to seek a postponement. In the case of small companies with fewer than 20 people, the Medef yesterday sought a delay until 2003. **Robert Graham, Paris**

RETURN OF 9.25%

Norway fund performs strongly

Norway's petroleum fund, the country's investment vehicle for its oil revenue surplus, produced a 9.25 per cent return in its first year since diversifying into equities, despite a turbulent year in the stock markets, the central bank said.

The fund grew to NKr171.8bn ($22bn) at the year end, helped by a 12.86 per cent return on equities, which account for about 40 per cent of the fund. Bonds, which accounted for the remainder, produced a 9.31 per cent return for the year. Prior to 1998, the fund invested only in interest-bearing instruments to build a nest egg for Norway's ageing population as the country's oil wealth declines.

● Norway announced yesterday a reshuffling of six top positions within its centre coalition cabinet. Among the changes, Dag Jostein Fjaervoll will move from defence to transport and communications, responsible for the partial privatisation and future telecommunications merger of Telenor with Telia of Sweden. Eldbjorg Lower will become defence minister, ahead of the award this year of the country's largest defence contract. **Valeria Sköld, Oslo**

POLISH POLITICS

Farm minister resigns

Jacek Janiszewski, Polish farm minister, resigned from cabinet yesterday following last week's publication of a report that linked an agency he had headed to financial irregularities.

Mr Janiszewski came under pressure after a newspaper leaked a state auditors' report which, the newspaper said, confirmed earlier allegations that a branch of the Farm Property Agency had taken decisions that benefited the minister's colleagues at the time he had managed it in 1992-1995.

Mr Janiszewski has denied any wrongdoing. He said he would resign after leaders of his Peasant Conservative Alliance, a liberal faction of the co-ruling Solidarity bloc, withdrew support for him at the weekend. **Reuters, Warsaw**

AUTONOMY MOVEMENT

Fears for Belgian unity

The president of the government of Belgium's French-speaking Walloon region branded his Dutch-speaking, fellow-Belgians as dangerous yesterday for their calls for far-reaching autonomy. "My Flemish compatriots are dangerous if you look at the trend of solidarity of the Flemish," Walloon President Robert Collignon said.

Asked about the influence of the linguistic divide on general elections in June and Belgium's ability to remain a unified country, he said: "I am not very optimistic."

Tension is rising in Belgium as Flemish separatists become increasingly vocal, wanting wealthy Flanders to be further detached from impoverished Wallonia.
Reuters, Brussels

CORRECTION

Withholding taxes

The European Commission has proposed a minimum 20 per cent withholding tax on savings and not 15 per cent as reported yesterday.

Hungary's far right protests at Nato step

By Robert Wright Budapest

The hard core of Hungary's far right yesterday used a national holiday to demonstrate against the country's new Nato membership.

The events, also marking March 15, anniversary of the 1848 revolt against Hapsburg rule, came before today's official Nato membership ceremony in Brussels for Hungary, Poland and the Czech Republic.

All three former Soviet-bloc countries joined the alliance on Friday. Much media attention had focused on a planned demonstration by the Hungarian Welfare Association (HWA), Hungary's leading neo-Nazi group.

Roughly 200 skinhead, uniformed neo-Nazis gathered for the demonstration in Blaha Lujza Square, one of the areas of Budapest most heavily populated by gypsies, traditional targets for the neo-Nazis.

Several hundred spectators looked on as Albert Szabo, HWA leader, denounced foreign ownership of Hungarian businesses and Nato as "Zionist conspiracies".

He regretted Hungary's Nato membership particularly because, he said, it would prevent the country from regaining the two-thirds of its former territory lost under the post-first world war Trianon peace treaty.

Police kept occasional hecklers away from neo-Nazi supporters.

One kilometre away, in Heroes' Square, skinheads were among the several thousands who turned out to hear a speech by Istvan Csurka, leader of the far-right Hungarian Justice and Life Party.

Mr Csurka's party, which has 14 of 386 seats in parliament, was the only parliamentary faction to vote against Nato membership, on the grounds that neutrality was a key goal of the 1956 rebellion against Soviet rule.

Opinion polls now put the party's support at only about 1 per cent.

The far right's opposition appears atypical. A recent opinion poll showed only about 20 per cent of an initially sceptical Hungarian population now opposed membership.

SPD leaders move to quell left wing

By Haig Simonian in Bonn

The leaders of Germany's governing Social Democratic party (SPD) moved yesterday to quell a brewing leftwing revolt against a possible shift to the right after last week's resignation of Oskar Lafontaine as party chairman.

Powerful SPD leftwingers have demanded the resignation of Bodo Hombach, the minister who acts as chief of staff for Chancellor Gerhard Schröder, after accusing Mr Hombach of conspiring with the chancellor to dilute some of the SPD's more controversial election promises in favour of centrist policies.

Detlef von Larcher, a leading leftwinger, said Mr Hombach had become self-centred and ineffective. Others warned that Mr Schröder could become too powerful now he was interim party chairman in succession to Mr Lafontaine. Mr Schröder is expected to be confirmed as chairman at a special party meeting next month.

Many leftwingers have accused Mr Hombach of contributing to Mr Lafontaine's departure through selective leaks to the press. In particular, they blame him for the "lack of teamwork" cited by Mr Lafontaine at the weekend as the main reason for his withdrawal from politics.

Mr Hombach declined to comment on the resignation call yesterday. However, he said the government should "keep its nerve" and "look forwards". A government spokesman said Mr Schröder, touring European Union capitals ahead of next week's Berlin summit, remained committed to Mr Hombach and rejected the calls for his departure.

Wolfgang Thierse, SPD president of the Bundestag or lower house of parliament, called on members from all sides of the party "not to get involved in senseless recriminations". Instead of speculating on the motives for Mr Lafontaine's surprise withdrawal from politics, he said they should pull together to implement SPD policy. He reassured leftwingers the party leadership was not planning to lurch to the right and remained commited to its core social, environmental and job creation policies.

Mr Thierse said Mr Lafontaine's criticisms about inadequate teamwork had not been raised at a meeting yesterday of the SPD central committee. Calling for "an end to gossiping", he said "it would have been wrong today to conduct a comprehensive research into the motives" for the resignation.

However, the attempts by the leadership to quell the accusations come in a tense week for the SPD, which will culminate in a debate in the Bundesrat or upper house of parliament on the controversial tax reform package masterminded by Mr Lafontaine.

In a letter to the government made public yesterday, DaimlerChrysler, one of Germany's biggest companies, underlined the continuing sensitivity of tax issues even after Mr Lafontaine's departure. Manfred Gentz, DaimlerChrysler's finance director, warned the government that high taxes could result in job losses at the German-US group by making Germany less attractive.

Hans Eichel: designated German finance minister Reuters

CSFB offers new Russian debt plan

By Clay Harris, Banking Correspondent

Credit Suisse First Boston, the US-Swiss investment bank, yesterday launched an alternative to the Russian domestic debt restructuring proposals, which have been accepted by a handful of banks and spurned by others.

CSFB told other banks it had high-level Russian government backing for the concept of the "partnership approach" of its Nikitsky Recovery Fund.

The full nominal rouble amount of the domestic securities on which Russia defaulted last August would be repaid, but the funds would be recycled into infrastructure investments and other projects. These would create the cash – or produce the commodities – which would allow investors to be repaid.

"The repayment mechanism is the project," said Andrew Ipkendanz, head of CSFB's emerging markets fixed income group. Mr Ipkendanz will leave CSFB to become chief executive of Baiame Strategic Investors, a newly-formed, Cayman-registered company, which will act as adviser to Nikitsky.

The plan requires Rbs35bn ($1.4bn) of GKO and OFZ securities – or about 40 per cent of that held by foreigners – to be committed to Nikitsky for the plan to proceed. CSFB and its clients hold about that much. CSFB said it was contributing all but a small part of its proprietary position to the fund and making a $15m unsecured loan for initial expenses.

Other banks on the 19-bank GKO committee reacted cautiously. One was heartened that CSFB had been "thinking outside the box".

But Nikitsky was vulnerable to some of the same objections that had been raised to the official Russian offer, which was worth no more than 5 per cent of the securities face value. These included lack of specific details and too early a deadline. Subscriptions to Nikitsky, named after a cathedral razed by Stalin, open tomorrow and close on March 31.

CSFB said it would continue to provide "significant and senior support" to the 19-bank committee.

● President Boris Yeltsin yesterday publicly instructed Yevgeny Primakov, prime minister, to reach an agreement with the International Monetary Fund, offering to intervene personally in the negotiations if necessary. But Mr Primakov declined the president's help, saying he was in control of the negotiations. The Russian prime minister will visit Washington on March 23 in a high-stakes bid to persuade the IMF to restart its lending programme.

Mr Yeltsin scolded Mr Primakov for over-reacting to criticisms and told him to "reconstruct" his attitudes towards the media.

Bankers mull over post-Oskar rate cut

ECB watch

By Wolfgang Münchau in Brussels

For the first time yesterday, Wim Duisenberg, president of the European Central Bank, took part in the Euro-11 meeting of European finance ministers without having to stare down Oskar Lafontaine, who resigned as Germany's finance minister last week.

In various comments over the last few days, Mr Duisenberg has not hidden his satisfaction over the political demise of the man who persistently clashed with central bankers by aggressively demanding lower European interest rates.

Mr Lafontaine's departure has not only cleared the air in German politics, but also for the ECB. Now that he has gone, the apparent political pressure on the ECB has dissipated.

So far, the ECB has given no signals of an imminent interest rate cut. Mr Duisenberg said a few days ago the ECB would not react to short-term changes in output, a reference to weak economic growth in the fourth quarter last year, and presumably also the first quarter of 1999. The ECB's monthly report for March, due out this week, will be closely watched for further signals.

Most analysts agree the economic risks of a rate cut are small, especially given relatively high real interest rates, the weak euro-zone economy, and the extremely low rates of inflation. This scenario would favour an early rate cut.

Some commentators in Germany have argued it would be "tasteless" if the ECB were to cut rates at its forthcoming council meeting on Thursday, given the short lapse of time since Mr Lafontaine's political demise.

The ECB board may, however, conclude a rate cut would not only signal to Europe's politicians that the best strategy is to leave the central bank alone, but would also amount to a relatively risk-free policy move in the current environment – even if it later turned out to be wrong.

Such a decision on Thursday would surprise many observers and could strengthen the outward appearance of the ECB's independence. The ECB would probably also be able to bask in applause from a majority of economic analysts, who believe a rate cut is now the correct policy action.

In one sense, however, the departure of Mr Lafontaine will change little. The outside world will still watch ECB council meetings closely.

Should the central bankers dig in their heals by leaving interest rates unchanged and so risk prolonging the economic downturn, then the ECB is certain to come under political pressure again – Oskar or no Oskar.

Economic indicators for euro-11 countries

	Jan 1999	Dec 1998	Nov 1998	Oct 98	Sep 98	Aug 98	97	96
Inflation (annual % change)	0.8	0.8	0.8	0.9	1.0	1.1	1.6†	2.2†
Unemployment (%)	10.6	10.7	10.8	10.8	10.9	11.0	11.6	11.6
Trade (Ecu bn)								
Exports	n/a	n/a	66.0	68.7	65.6	56.2	760.8	667.7
Imports	n/a	n/a	59.5	61.4	60.4	49.7	671.4	594.2
Trade balance	n/a	n/a	6.5	7.2	5.2	6.4	89.4	73.5

Current account (Ecu bn)	Q3 1998	Q2 98	Q1 98	Q4 97	Q3 97
Current account balance	21.8	25.0	12.4	28.6	26.0
As % of GDP	1.5	1.7	0.9	2.0	1.9

Industrial production (%) (3 mo over previous 3 mo)	Oct-Dec/ Jul-Sep	Sep-Nov/ Jun-Aug	Aug-Oct/ May-Jul	Jul-Sep/ Apr-Jun	1997	1996
	-0.3	0.0	0.1	0.2	4.1††	0.0††

GDP growth (%)	Q4 1998	Q3 1998	Q2 98	Q4 97	97	96
Over same quarter last year	2.4	2.9	3.0	3.1	2.5	1.6

Money supply	Jan 1999	Dec 1998	Nov 1998	Oct 98	Sep 98	Aug 98
M3 Annual growth rate (%)	5.7	4.5	4.6	4.8	4.4	4.3

* provisional ** estimated † estimated due to Ireland, for which quarterly index numbers for 1995 and 1996 were used to estimate the monthly ones
Source: Eurostat
†† annual % change

London takes up arms to defend art centre prestige

UK's attempts to stave off royalties and increased VAT could be decided in a few weeks. **Antony Thorncroft** reports

Inside the market

The next few weeks could be crucial for the UK's position as the leading force in the European art and antiques markets, and for London as the only global art centre that can compete with New York.

Two reports due from Brussels could have a devastating effect on the art trade, which is estimated to be worth £2.2bn ($3.6bn) a year and to employ 40,000 people. One concerns the introduction to the British market of *droite de suite*, the resale royalty for artists and their heirs stretching back 70 years. The other would enforce the doubling of VAT on works of art imported to the UK from non-EU countries to 5 per cent from 2.5 per cent.

The UK government has fought a rearguard battle against the two changes, which are being pushed through in the name of EU harmonisation. It has managed to delay for a month a harmonised *droite de suite*, which was expected to be approved by majority voting on February 25, in an attempt to find a compromise. Its hopes of avoiding the higher VAT from June 30 await an assessment by Brussels on its impact on the British antiques trade, which has yet to arrive.

The UK dominates the European market, accounting for almost 70 per cent of the trade in art and antiques. It owes its supremacy partly to history, the accumulation in the UK of many of the finest art works and the expertise to support them, and partly to the lack of financial and administrative burdens.

The idea of *droite de suite*, or royalties, for artists and their heirs is foreign to the UK and only spasmodically pursued in other EU member states. The British art trade argues that attempts to impose fixed levies, ranging from 4 per cent of the re-sale

Britain has suggested talks on a trans-Atlantic agreement

price on paintings valued between €1,000 ($1,094) and €50,000, to 0.5 per cent on works sold for over €500,000, will be almost impossible to collect and will swiftly drive the market in modern art to New York and Switzerland.

At the moment, EU owners of expensive paintings by Picasso, Braque and the German Expressionists send them to Sotheby's and Christie's in London to escape the imposition of *droite de suite*. The German and Austrian art sales each autumn have become a big feature of the London season: last October Christie's achieved a record total of £18.9m. But if the UK was forced to impose the levy, the art would not be sold in Germany. Auction houses would send it to their rooms in New York for disposal.

There is also doubt as to whether *droite de suite* benefits working artists. The majority sell their paintings for under €1,000 and are unaffected. Also, the great gainers are the richest and most successful artists: in France the heirs of just six artists, notably Picasso, Braque, Matisse and Bonnard, share 70 per cent of the money raised from *droite de suite* levies.

The EU, however, believes London is crying wolf: that the antiques trade is not such a big employer, and the impact of *droite de suite* will be negligible. It believes that as the most important player, the UK will gain from the level playing field in Europe, especially from the much delayed opening of the Paris art market to foreign competition.

These criticisms cut little ice in London. The British government is prepared to accept *droite de suite* if it can be imposed globally, and has suggested talks open with the US on a transatlantic agreement.

Already some leading dealers, such as Wildenstein, Colnaghi, and Simon Dickinson, have moved all, or part, of their operations to New York. The introduction of VAT at 2.5 per cent in 1995 contributed to a decline in art imports to the UK from £1bn to nearer £600m, and New York has already replaced London as the world's leading art market.

Germany, UK warn on travel to Turkey

By Leyla Boulton in Ankara

Germany and Britain warned their nationals yesterday about travelling to Turkey following deadly bombings and Kurdish guerrilla threats that tourist resorts were within their "field of war".

A German foreign ministry spokesman said the government was taking the threat "very seriously". In London, a Foreign Office spokesman said the government was advising tourists that despite the efforts of Turkish security forces their safety could not be guaranteed.

The Kurdish Workers party (PKK) yesterday warned tourists to stay away from Turkey, as a bomb exploded near the Ankara office of the European Commission.

The warning came after a weekend bomb attack in Istanbul in which 13 people died and reflected the growing campaign of violence launched by the PKK since the arrest of its leader, Abdullah Ocalan.

Turkish markets fell yesterday on fears of renewed political instability ahead of a parliamentary session convened today by Islamist and secularist rebels. Already set to debate delaying elections due on April 18, the dissident parliamentarians yesterday added a motion to topple the caretaker government of Bülent Ecevit.

Stocks opened 4.5 per cent below Friday's close and closed 1.89 per cent down on the day, while bond yields gained five percentage points.

While some Islamist hardliners are demanding a lifting of the ban on the candidacies of Islamist politicians as their price for supporting the April 18 polls, others want elections to be delayed until 2000.

The rebels on Saturday mustered 268 votes in support of reconvening the 550-strong parliament – just eight votes shy of the number required to pass a censure motion against the government. It remains far from certain they will be able to postpone the election.

PENTAGON REPORT BEIJING 'RESEARCHING HOW TO HACK INTO MILITARY NETWORKS'

China studies computer warfare

By Tony Walker and Stephen Fidler in Washington

China has intensified its computer warfare efforts in a move designed both to protect its own military communications networks from interference and also enable it to penetrate potential adversaries' information systems, according to a Pentagon study.

The Pentagon report, in a rare public reference to Beijing's information warfare capabilities, says China is researching methods to "insert computer viruses into foreign networks as part of its overall Information Operations strategy".

James Mulvenon, a China defence specialist at the Rand Institute, a US think-tank, says China is seeking the ability both to interfere with Taiwan's command system, and ultimately to "hack" into US military networks which control deployment in the Asian region.

Mr Mulvenon described Chinese information warfare efforts as experimental at this stage, but said China's military was "well placed to eventually develop a capability to mount computer network attacks".

China's hundreds of supercomputers, acquired from the west, could help in this process by breaking highly complex computers codes, defence experts say.

The Pentagon report, *The Security Situation in the Taiwan Strait*, warns of a shift in the region's balance of deterrence following a continuing sharp build-up of Chinese missiles aimed at Taiwan. It reflects heightened concern among Washington's defence planners about China's development of a new generation of missiles, including land attack cruise missiles which are more accurate than its present short range ballistic missiles.

The study, which coincides with a cooling in Sino-US relations over arms proliferation, human rights and trade questions, said Taiwan, as a large manufacturer of computer components, was also well placed to engage in information warfare (IW) activities, "particularly computer network attacks and introduction of malicious code".

"As new computer systems and technology are developed and as Taiwan increases its role in the manufacture of these systems, its capability to exploit its position for IW activities can be expected to increase substantially," it said.

Mr Mulvenon said China's military in its "war games" was working on an "area denial strategy" under which US naval forces would be kept at a distance while China engaged in rapid violent attacks on Taiwan to force it to the negotiating table.

The Pentagon report said that while China's was assigning the "highest priority" to its defensive information warfare programmes, one result of this effort was to "provide enhanced defensive or offensive capabilities against Taiwan military and civilian information infrastructure systems".

The Pentagon said that "open source" articles in China had revealed that the People's Liberation Army had begun incorporating information warfare scenarios into operational exercises. Efforts had focused on increasing the PLA's proficiency in defensive measures.

Personal view, Page 16; Editorial Comment, Page 17

HK pilots asked to take pay cut

By Rahul Jacob in Hong Kong

Cathay Pacific, the Hong Kong-based airline, may be heading for a showdown with its pilots' union after it mailed letters directly to pilots yesterday asking for hefty pay cuts. Last week the company announced its first loss in 35 years.

The company is seeking an 8 per cent cut in salary from its Hong Kong-based senior flight crew and higher cuts spread over the next three to four years from their senior pilots based overseas. In return, the company is offering share options.

The airline's decision to go directly to the pilots was denounced by the Hong Kong Air Crew Officers' Association, which said the company had not offered proof to the union that Cathay's "A scale" pilots were significantly overpaid relative to other airlines. The company said the proposals would affect about half their pilots.

Several large Hong Kong companies have been trying to cut labour costs in the midst of the worst recession in decades. Hongkong and Shanghai Bank imposed a wage freeze this year. Hongkong Telecom, the territory's dominant phone company, was forced to retreat after employees protested against a 10 per cent pay cut.

Cathay's move has been expected for the past couple of weeks. In a recent newsletter, the company said it could not continue to pay salaries based on Hong Kong's high cost structure to pilots living in countries such as Australia and Canada, where living costs are lower. It claims that in some cases such Cathay pilots are paid double what they would receive at comparable national airlines.

The union said management had not provided it with the basis for its calculations. The union has also asked for profit projections that the company says it cannot share because of routine stock exchange regulations. "We have no faith in the things they say. It's not even that they want concessions for this year and next year. They want them forever and ever," said John Findlay, union general secretary, who nevertheless said industrial action was unlikely.

Cathay said it had been trying to negotiate with the union since last summer, but chose to write directly to its pilots because it was making little progress. It hoped to have an agreement on new salary scales by July 1.

Shake-up nigh for China's troubled coal industry

Closure looms for 25,800 unofficial mines that have hit the market once dominated by big state collieries, says **James Harding**

Smoke rises from a coal-fired cement factory in Shanxi province while (inset) miners end their shift at nearby state-owned Qingciyao pit AP

The yellow earth that blows off the scrubby sandstone hills, the coal dust hanging thick in the air and the smoke streaming from factory chimneys and household stoves conspire to cloak China's mining country in a dismal pre-dawn light even in the middle of the day.

For the men and their families who have made their homes from caves cut into the hillsides and who make their livelihoods working the coal seams below, the outlook is as bleak as the view.

"In this valley, there are nine mines and already three have been shut down. In the next village, 95 per cent of the mines have been closed," says Liu Genxing, who works in one of the narrow tunnels that count among the thousands of unofficial mines in central China's Shanxi province. "There is a big question-mark hanging over us ... Who knows how many of us will be left?"

In an attempt to rescue China's giant, inefficient state coal mines, which generate losses and pollution in almost equal measure, Beijing plans to close 25,800 unofficial mines that have multiplied over the last decade and eaten away at the market once monopolised by big state collieries.

The closures are darkening the mood in some of the poorest parts of China, driving up unemployment levels, adding to fears of increasingly violent crime and testing the fragile social fabric. At the same time, the shutdown of the mines highlights how a slowing economy, oversupply and a state sector payments crisis is crippling one of the core areas of Chinese industry.

Zhu Rongji, the prime minister, last week made the most gloomy state-of-the-nation address to the National People's Congress, China's parliament, in more than a decade. In a long list of the country's problems, he said market demand was "feeble ... economic order is somewhat in disarray ... [and] the pressure of providing employment for people is fairly great."

From the Communist party podium in the Great Hall of the People, such comments marked an unusually blunt assessment of the troubles in the economy. They also served as a depressingly accurate description of the state of affairs in China's coal country.

Coal sales fell by nearly 14 per cent last year, a symptom both of the sharpness of the slowdown in China's real economy, as well as the gradual shift to alternative energy sources. Even more serious is the oversupply in the coal market, where annual production has grown rapidly to reach more than 1.33bn tonnes, roughly 250m tonnes in excess of national demand.

The state collieries are buckling not just under the weight of growing stockpiles, but also beneath a burden of systemic non-payment by customers, bank borrowings and their own structural inefficiencies. Most are, in effect, bankrupt.

More than 85 per cent of the large state coal mines are losing money, according to the government's own figures. At more than 19 large mines, according to official reports, the financial problems have become so acute that the collieries have been unable to pay many of the miners or the pensioners they keep on their books.

One of the biggest problems for the state mines is that the state-owned enterprises (SOEs) which buy most of their coal do not or cannot pay. By the end of last November, Chinese SOEs and local governments had defaulted on RMB36.1bn ($4.4bn) worth of payments for purchases of coal from the big state collieries.

The arithmetic of China's coal industry has left the government little choice but to act. Zhang Baoming, director of the state coal industry bureau, has moved to ease oversupply by ordering closure of thousands of small and medium-sized unofficial mines, which now account for 620m tonnes annually, roughly half annual production.

Beijing's preoccupation is to minimise the possibility of unrest. The unemployment levels in the big coal provinces – Shanxi, Henan, Hebei and Heilongjiang – are among the highest in the country.

In Taiyuan, the capital of Shanxi province, people do not take the government's official figure for China's jobless rate of 3.5 per cent seriously. Local estimates of unemployment are upwards of 30 per cent.

Moreover, violent crimes, such as highway robberies, kidnappings and burglaries, have created a new sense of anxiety in urban areas. "Decent people don't go out after 11pm," one Taiyuan man says.

Without addressing the fundamental weaknesses of the state mining industry, the result of the closures is to protect large, inefficient, loss-making collieries at the expense of competitive and often profitable smaller mines.

The men, who come to Shanxi to live in the hillside caves and work the unofficial mines, die working there in large numbers – the death toll in China's mines was 7,423 last year. But, regardless of the hardship, these unofficial miners can expect no redundancy compensation when the unofficial mines are closed and they can mount little opposition to the closures. "Migrant workers do not protest. They do not dare to," says Mr Liu. "They know what the government is like."

NEWS DIGEST

BALLOT TO FOLLOW GENERAL ELECTIONS

Jakarta plans July vote on East Timor autonomy

Indonesia said yesterday it would let the East Timorese vote in July on whether to accept Jakarta's offer of wide-ranging autonomy. In talks last week at the United Nations in New York, Indonesia and Portugal – East Timor's previous colonial ruler – agreed that the disputed territory annexed by Jakarta in 1975 should be allowed to determine its future in a direct ballot.

"Because we are going to hold an election on June 7 therefore we can only hold it in July," said Ali Alatas, foreign minister.

Indonesian President B.J. Habibie has said that if East Timor rejects autonomy, it could be offered independence as early as next year.

In January, Jakarta made a dramatic about-turn after refusing to consider independence for East Timor for two decades. Indonesia expects to finish work on its autonomy proposals by late April.

Mr Alatas said yesterday that the vote would be conducted by teams under the United Nations assigned to visit all areas in East Timor as well as among East Timorese who live abroad. **Reuters, Jakarta**

TRIAL IN MALAYSIA

Anwar defence case ends

The defence in the corruption trial of Anwar Ibrahim, the sacked Malaysian deputy prime minister, is to close its case after the judge refused its request to call 10 witnesses. Mr Anwar, who claims he is a victim of a political conspiracy, said yesterday he expected to be sent to jail for two to four years.

Judge Augustine Paul, who had ruled that evidence relating to sexual misconduct was no longer admissible after the prosecution amended its charges in the five-month-old trial, declared that the evidence of the 10 was not relevant to the trial. The defence, which had sought to rebut allegations of sodomy, said "crucial evidence" was being excluded. Mr Anwar has been charged with corruption and illegal sex acts. A verdict is expected before the end of the month. **T.J. Tan, Kuala Lumpur**

BANGLADESH VIOLENCE

Two killed at MP's home

Two people have been killed in an apparent bomb explosion at the home of a member of parliament in Bangladesh's northern district of Sylhet, police said yesterday. The blast in the house of Mohibur Rahman Manik, an MP of the ruling Awami League, in the town on Sunamganj left two of his relatives dead. It follows expressions of concern by Bangladesh's aid donors about the authorities' failure to stem rising lawlessness.

Earlier this month 10 people were killed at a cultural festival in a bomb attack which the authorities blamed on Islamic fundamentalists. And last month gunmen killed six leaders of a small party in the governing coalition at a political rally. **David Chazan in Dhaka**

NORTH KOREAN AGENTS

Thais warn over abduction

Thailand warned North Korea yesterday it might revoke the diplomatic immunity of some of its embassy staff unless it freed the son of a North Korean diplomat who requested political asylum last week.

The Foreign Ministry said a letter of "regret" from the North Korean embassy was insufficient to redress the violation of Thailand's sovereignty caused by a failed attempt by North Korean agents last week to abduct the diplomat. Police said they believed seven North Korean agents, four of them bearing diplomatic passports, were holding the son, Hong Sun-gyong, at the North Korean embassy.

Police say North Korean agents abducted Mr Hong and his wife from a residence on the outskirts of Bangkok and tried to smuggle them to the North Korean capital Pyongyang via Laos. The two escaped after the vehicle they were travelling in crashed, but the son remained in the hands of North Korean agents. **Reuters, Bangkok**

Where the state spends reluctantly

Ted Bardacke and **Sander Thoenes** on obstacles to social spending in south-east Asia

When Thailand's economic crisis began to bite and the International Monetary Fund made a monumental shift towards recommending fiscal stimulus and the creation of a social safety net, one of the first programmes was to provide stay-in-school grants for children who had an unemployed parent.

With about $27m from the Asian Development Bank, the idea was to provide school expenses – money for uniforms, shoes, supplies, transportation and meals – to keep 250,000 at-risk children in school. And with exports performing poorly, the extra bit of cash circulating formed part of an unprecedented Bt50bn ($1.3bn) social spending campaign that would help fuel domestic demand-driven economic recovery.

Yet to date, only about 50,000 students have benefited from the grants. A $120m Social Investment Project funded by the World Bank received 10,000 applications from local communities; only 163 were accepted by the government. The list of unspent government moneys has grown so long that Thailand's fiscal stimulus package announced last year will have to be relaunched later this month.

The problem of unspent social welfare funds is not confined to Thailand among the crisis-hit Asian economies. Indonesia has spent only 20 per cent of the Rp17,780bn ($1.9bn) allocated for social programmes. Of a separate Rp8,000bn in farming loans, only Rp2,200bn had been disbursed by February.

This inability, or unwillingness, to spend stands in the way of economic recovery. It also exposes huge shortcomings in the bureaucracies of Thailand and Indonesia, deficiencies that do not bode well for governments that will have to be more agile in future economic policy-making. And it leaves millions of people short of jobs, food, healthcare and education at a time when the social fabric threatens to come apart at the seams.

The obstacles to social spending are deep-rooted. Fearful of destroying the self-help entrepreneurial spirit that has served Asia so well, some powerful conservatives abhor anything resembling a handout. The stigma of corruption adds another layer of resistance. In addition, centralised bureaucracies are not good at taking the initiative.

"It's hard to say to what extent senior officials just don't like these programmes or whether it's just beyond their ability to implement them. Whichever the case, people aren't getting the help they need," says one development bank official.

Top officials are so troubled by the scale of the obstacles that they are turning to quick fixes. Indonesia is looking to extend its budget year, due to end on March 31, to avoid having to set up new programmes for the new budget year. Thailand is considering tax cuts – a less effective form of fiscal stimulus but at least one that can be implemented – and direct cash payments to local governments with few stipulations on how they are spent.

Thailand's resistance to government handouts starts from the top. Senior ministers say that although the revered King Bhumibol Adulyadej is passionately devoted to serving the poor, he has also made clear that programmes that pay people not to work should be avoided. This feeling permeates important ministries such as agriculture and labour.

An influential Indonesian government economist, Mubyarto, has similarly warned of creating a "beggar mentality" among a people who had proven surprisingly adept at fending for themselves, finding new jobs in the informal sector or falling back on family and village solidarity. Meanwhile Indonesia still subsidises fuel, cooking oil and other basic essentials, in a way criticised by the World Bank and others as wasteful and benefiting the rich.

There is concern about handouts and corruption and bureaucracies are slow to act

Programmes targeted specifically at vulnerable groups encounter less ideological resistance but require more agile implementation. The Indonesian bureaucracy is structured to implement blanket funding of nationwide campaigns while the impact of the crisis has been very uneven. This has prompted more delays as officials try to avoid spending on those export producers who have benefited from the crisis (as a result of a more competitive exchange rate).

Thailand's fiscal structure is so centralised – a legacy of tight fiscal prudence – that any weak link in the top-down chain will cause programmes to languish. Ministers say the big deficiencies in the stay-in-school programme were a lack of co-operation from provincial governors more concerned with politics and incompetence at the highest levels of the education ministry. The ministry assigned only one person to process grant applications and still has not produced a complete list of the nation's schools.

"It's very easy to hold back spending. It's very hard to push it out," says a donor organisation official.

Corruption, or the fear of it, is making spending even more difficult. Bureaucrats have become extremely risk averse, while donors have added layers of screening that can all but freeze many projects.

"Officials are too careful and are afraid of making mistakes," says Mar'ie Muhammad, chief of an independent monitoring team for Indonesian social spending. "Their priority is safety first."

Bhichai Rattakul, Thailand's deputy prime minister, who looks after the stay-in-school grant programme, says: "We're desperately trying to move money out but we also have high standards on issues of corruption and transparency. The screening process is rigorous – but if you're too careful you won't be able to spend anything."

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1989	115.5	112.7	5.2	97.9	100.1
1990	116.2	112.4	5.5	82.7	93.5
1991	113.3	110.2	6.8	61.7	96.2
1992	117.0	113.6	7.4	61.8	103.5
1993	122.2	117.6	6.8	67.7	107.1
1994	129.2	123.9	6.0	79.0	113.5
1995	133.3	130.0	5.5	79.3	116.6
1996	139.3	135.8	5.4	77.0	121.6
1997	145.1	144.0	4.9	78.9	129.4
1998	154.6	149.2		80.2	129.6
1st qtr.1998	5.1	5.4	4.7	81.7	130.8
2nd qtr.1998	7.6	4.6	4.4	80.4	130.2
3rd qtr.1998	5.5	3.0	4.5	80.6	128.7
4th qtr.1998	7.8	2.0		78.1	129.6
February 1998	4.9	5.0	4.6	82.3	129.8
March	5.5	5.1	4.7	83.3	130.8
April	7.0	5.0	4.3	80.4	130.5
May	8.2	5.1	4.3	80.3	130.2
June	7.6	3.6	4.5	80.4	130.2
July	5.5	2.7	4.5	81.3	130.2
August	5.1	3.6	4.5	82.2	129.8
September	6.1	2.6	4.6	78.3	128.7
October	7.5	2.4	4.6	85.4	128.8
November	7.8	1.8	4.4	79.9	129.0
December	8.1	1.7		77.8	129.6
January 1999		1.7			132.3

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1989	118.3	119.6	2.2	146.3	102.0
1990	128.2	124.5	2.1	149.8	99.5
1991	135.7	126.7	2.1	144.2	94.9
1992	135.0	119.0	2.1	124.2	90.6
1993	132.8	114.3	2.5	105.8	91.9
1994	134.1	115.3	2.9	102.3	96.9
1995	134.1	119.2	3.1	106.6	9912
1996	135.2	122.0	3.3	119.0	100.3
1997	135.0	126.4	3.4	123.2	97.2
1998	128.6	117.6		109.0	98.4
1st qtr.1998	–8.1	–3.9	3.6	112.7	96.1
2nd qtr.1998	–2.1	–8.5	4.2	107.2	95.9
3rd qtr.1998	–4.0	–8.6	4.2	107.0	96.2
4th qtr.1998	–4.4	–6.7		109.6	96.4
February 1998	–6.9	–3.9	3.6	109.6	96.3
March	–14.0	–5.1	3.8	114.3	96.1
April	–0.7	–6.6	4.1	108.7	95.6
May	–1.9	–11.2	4.3	102.1	95.8
June	–3.5	–7.6	4.3	110.7	95.9
July	–3.6	–9.2	4.1	106.5	96.1
August	–4.2	–9.2	4.3	109.0	96.0
September	–4.0	–7.5	4.3	105.4	96.2
October	–6.3	–7.9	4.2	106.5	96.3
November	–2.8	–5.6	4.5	111.4	97.0
December	–4.2	–6.4		110.7	96.4
January 1999		–7.5			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1989	111.9	111.4	5.6	219.6	96.3
1990	119.7	117.2	4.8	261.8	97.5
1991	125.0	119.4	4.2	297.9	94.9
1992	122.8	117.7	7.7	287.9	88.1
1993	119.7	110.0	7.9	229.0	93.0
1994	117.6	114.6	8.4	241.2	101.9
1995	118.4	115.4	8.2	268.3	97.7
1996	117.2	114.9	8.9	274.1	101.6
1997	115.8	118.1	10.0	282.8	109.1
1998	115.7	122.7		353.8	106.4
1st qtr.1998	–0.1	6.0	10.0	319.1	110.6
2nd qtr.1998	–2.0	4.1	9.8	383.6	111.0
3rd qtr.1998	1.7	4.3	9.6	373.3	107.9
4th qtr.1998	0.1	1.2		359.1	106.4
February 1998	–0.6	5.4	10.0	318.3	110.2
March	0.5	5.0	10.0	338.6	110.8
April	–1.9	3.8	9.9	351.6	110.7
May	–0.9	6.1	9.8	368.3	111.0
June	–3.2	2.4	9.7	370.8	110.9
July	2.7	3.8	9.6	389.1	110.5
August	1.6	6.1	9.6	377.5	109.4
September	0.8	3.1	9.5	373.3	107.9
October	–2.0	2.6	9.4	370.0	107.0
November	3.0	0.7	9.4	361.6	106.5
December	–0.7	0.3		345.8	106.4
January 1999	0.2				106.3

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1989	99.5	110.5	9.4	161.1	101.4
1990	101.4	112.1	8.9	207.8	94.5
1991	101.2	110.8	9.4	191.2	95.4
1992	101.5	109.5	10.4	202.5	94.2
1993	101.7	105.2	11.7	209.1	99.5
1994	101.5	109.4	12.3	280.7	102.7
1995	101.6	111.7	11.8	350.3	98.7
1996	101.2	111.9	12.3	389.5	102.4
1997	102.3	116.3	12.5	432.9	106.3
1998	105.0	121.5		463.0	109.3
1st qtr.1998	2.3	7.1	12.1	476.0	108.7
2nd qtr.1998	3.3	5.4	11.9	462.3	110.4
3rd qtr.1998	2.2	3.4	11.9	454.2	109.4
4th qtr.1998	2.9	2.4		456.2	109.3
February 1998	2.0	6.3	12.1	484.6	107.6
March	–0.8	8.5	12.0	470.2	108.7
April	4.0	4.1	11.9	450.1	109.1
May	1.2	5.9	11.9	476.6	109.7
June	4.9	6.0	11.8	458.3	110.4
July	2.9	3.3	11.9	450.1	110.9
August	2.0	3.3	11.9	468.4	110.5
September	1.7	3.4	11.9	446.0	109.4
October	2.9	2.0	11.8	444.0	108.7
November	4.4	4.4	11.8	474.5	108.8
December	1.5	0.9		450.1	109.3
January 1999	–0.8				109.3

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1989	123.2	118.7	10.0	98.3
1990	120.6	118.0	9.1	93.7
1991	124.5	116.9	8.8	97.2
1992	126.9	115.4	9.0	91.6
1993	123.1	113.0	10.3	99.1
1994	115.6	119.9	11.4	104.3
1995	109.9	127.3	11.9	103.5
1996	107.3	123.7	12.0	106.3
1997	114.6	127.1	12.1	114.6
1998		128.2		115.3
1st qtr.1998	3.0	3.4	12.1	116.3
2nd qtr.1998	4.0	1.3	12.3	115.6
3rd qtr.1998	3.2	0.4	12.3	112.1
4th qtr.1998		–1.7		115.3
February 1998	3.5	2.4	n.a.	116.2
March	2.6	1.3	n.a.	116.3
April	3.0	0.7	n.a.	116.1
May	4.1	2.9	n.a.	115.6
June	5.0	0.3	n.a.	114.9
July	3.9	1.5	n.a.	113.6
August	3.0	–1.6	n.a.	112.8
September	2.8	1.5	n.a.	112.1
October	4.5	1.6	n.a.	112.3
November	5.0	–0.3	n.a.	113.8
December		–6.3	n.a.	115.3
January 1999				116.6

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1989	120.1	114.0	7.3	123.8	95.1
1990	121.0	113.7	7.1	97.5	91.9
1991	119.3	109.8	8.8	68.4	97.0
1992	120.2	110.2	10.1	69.9	100.5
1993	123.9	112.6	10.4	76.5	106.2
1994	128.4	118.7	9.6	93.7	109.9
1995	130.1	120.7	8.7	106.9	109.3
1996	134.1	122.1	8.2	131.3	112.8
1997	141.2	123.0	7.0	157.8	114.5
1998	145.5	123.8		163.2	111.7
1st qtr.1998	4.7	0.0	6.4	154.1	114.0
2nd qtr.1998	3.2	1.3	6.2	162.1	112.7
3rd qtr.1998	2.9	0.7	6.2	164.7	110.2
4th qtr.1998	1.5	0.6		171.9	111.7
February 1998	4.1	–0.4	6.5	158.2	114.2
March	3.4	1.3	6.4	159.3	114.0
April	3.4	1.7	6.3	158.5	113.5
May	4.4	0.8	6.2	163.4	113.0
June	1.8	1.5	6.2	164.4	112.7
July	2.7	0.1	6.3	164.2	112.2
August	2.5	1.2	6.2	163.7	111.5
September	3.7	1.0	6.2	166.0	110.2
October	1.1	0.5	6.2	172.1	109.9
November	2.5	1.1	6.2	172.9	110.4
December	0.9	0.1		170.7	111.7
January 1999	1.2	–0.4			112.9

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. **Retail sales volume:** data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). **Industrial production:** data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). **Unemployment rate:** OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. **Vacancy rate indicator:** relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. **Composite leading indicator:** OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

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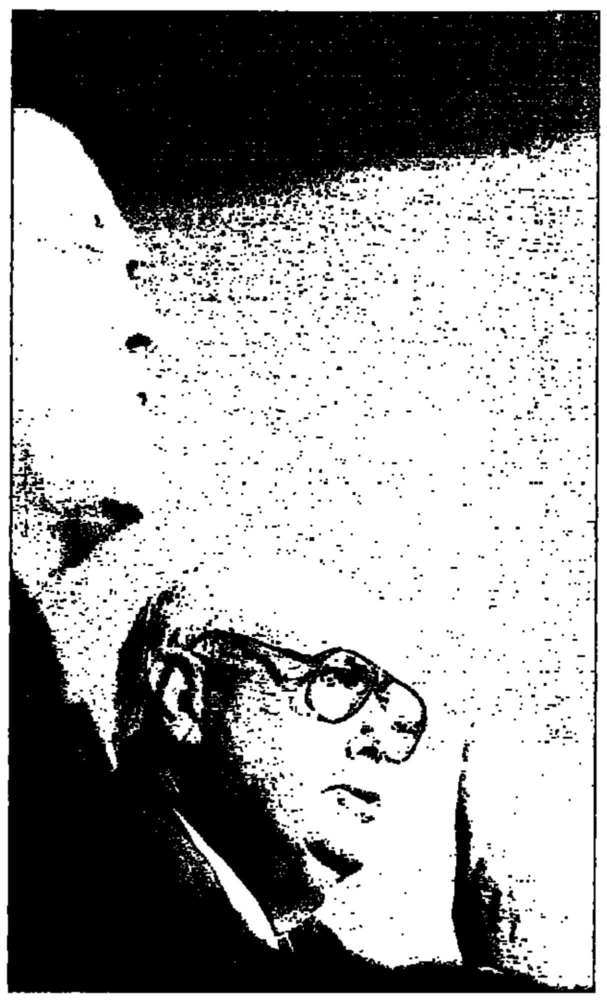
Sydney found guilty of breaking IOC guidelines



Tom Sheridan (right), the Australian lawyer who conducted the inquiry, presents his report in Sydney yesterday, with Michael Knight, Sydney organising president, looking on Reuter

By Patrick Harverson in London

An independent inquiry yesterday found Sydney guilty of breaking International Olympic Committee guidelines during its successful campaign to host the 2000 summer Games, but cleared the Australian city of bribery and corruption.

Although the inquiry found that members of the Sydney group had given the "red-carpet teatment" to visiting IOC members, including several hundred thousand dollars' worth of gifts and trips, it said there was no evidence of wrongdoing on the scale committed by Salt Lake City, the US city at the centre of the corruption scandal which has plunged the Olympic movement into the worst crisis in its 105-year history.

Tom Sheridan, the Australian lawyer who conducted the investigation into Sydney's campaign, went out of his way to criticise the IOC's regulations covering the behaviour of bidding cities.

He described them as "unworkable" and said they had "fallen into disrepute and are almost completely ignored by candidate cities".

The IOC did not respond to Mr Sheridan's criticisms yesterday, but the governing body has already pledged to reform the Olympic host city bidding process at its extraordinary congress in Switzerland this week.

Yesterday, some of the IOC's 110 members began gathering in Lausanne for the two-day meeting, which starts tomorrow

The main business of the session is to vote on recommendations made by the internal committee which investigated the corruption allegations surrounding Salt Lake City's successful bid to host the 2002 winter Games.

IOC members will be asked to approve: the expulsion of six members for breaching IOC rules in accepting gifts and inducements from Salt Lake City; a series of big changes to the host city selection procedures; the establishment of an IOC ethics committee to oversee the activities of members during the bidding process; and the institution of a review of the IOC's structure and its system for choosing members.

In spite of the widespread condemnation of the IOC over the Salt Lake City affair, there is no guarantee its members will support all of the leadership's reform proposals.

There has already been resistance from some IOC members to the idea of slimming down the bid process and handing over the responsibility for choosing the host city to a much smaller group. There may also be opposition to some of the expulsions.

A two-thirds majority of the membership is required to approve the expulsions and reforms, and if some of the recommendations lack sufficient support Juan Samaranch, the IOC's president, could find his own future under threat.

Mr Samaranch has already pledged to put his leadership to a confidence vote this week, although it is not known yet whether this will be through a formal vote or simply by acclamation.

The 78 year-old Spaniard has ruled the roost at the IOC for the past two decades, but the corruption scandal has prompted calls for him to resign before his term expires in 2001.

So far Mr Samaranch has resisted these calls, and has been supported by the IOC hierarchy – which believes it would be counter-productive to unseat the president in the middle of a crisis – and, more importantly, by the corporate sponsors whose millions bankroll the Olympic Games.

Many of those sponsors will be relying on this week's meeting in Lausanne to deliver on the reform pledges. The IOC has made great play of its determination to, in the words of its marketing chief, "clean house."

If there is still some mess on the IOC floor when the special session is over, it could cost its once all-powerful president his job.

Scientists close in on human genetic code

By Clive Cookson, Science Editor

Scientists will have a "working draft" of the entire human genetic blueprint in a year's time.

The agencies funding the International Human Genome Project yesterday announced an accelerated timetable that would put 90 per cent of the 3bn chemical letters of our genetic code in the public domain by spring 2000, 18 months earlier than previously expected.

The working draft will be a scaffold for completing the final high-quality sequence of the genome – all the DNA that serves as a biological blueprint for humanity – by 2003 at the latest. This genetic information will be the foundation for medical progress in the next century.

The project's acceleration reflects the determination of its main funding agencies – the Wellcome Trust, the UK-based research charity, and the US government's National Institutes of Health – *not to be overtaken by* private-sector gene sequencing efforts. Two US companies have made particularly ambitious announcements: Incyte says it will have sequenced all commercially relevant human genes by late next year; and Celera, a subsidiary of Perkin-Elmer, expects to complete the human genome by the end of 2001. Michael Morgan, chief executive of the Wellcome Trust Genome Campus near Cambridge, said the open, publicly funded effort "can ensure that sequence data remains in the public domain for access by all researchers for the development of future healthcare treatments. This is crucial for the real medical benefits to be realised efficiently."

Despite their rivalry with commercial sequencing efforts, leaders of the public project have left the door open to collaboration with the private sector. "This may allow completion of the final sequence far sooner than 2003," they said.

Yesterday's announcement marks the successful completion of the Human Genome Project's pilot phase. Over a period of three years the five main participating laboratories – four in the US and one in the UK – have driven down the cost of DNA sequencing from $2 per chemical letter to 20 cents. The coming year's work is expected to cost $150m altogether.

The accuracy level has improved to the point at which the DNA sequences contain no more than one error in 100,000 chemical letters. At the same time, genetics laboratories and drug companies are preparing to go beyond sequencing an archetypal human being. They are expected to announce next week a consortium aimed at systematically discovering the genetic *differences* between individuals, which make them respond differently to medicines.

NEWS DIGEST

MOVE TO BOOST HUMAN RIGHTS

Shell steps up efforts to cut bribes and corruption

Royal Dutch/Shell, the Anglo-Dutch oil group, is to intensify its efforts to reduce bribery and corruption in the group's far-flung operations and to boost human rights' awareness among its 100,000 employees.

A new management primer has been issued to staff outlining ways to counter corrupt practices. Shell staff in countries where corruption is endemic, such as Nigeria, have been asked to attend special workshops on the subject. A "practical" guide on human rights has also been issued.

The company is launching a $25m global corporate communications campaign "aimed at widening the debate among its stakeholders about how it does business around the world". Shell executives said the campaign was the result of research that revealed a deep distrust of the group among many people. **Robert Corzine, London**

DEVELOPING COUNTRY DEBT

Institutions pool information

International financial institutions have collaborated to provide joint information for the first time on the external debt of developing countries and those that have made the transition from communism.

The Bank for International Settlements, the International Monetary Fund, the World Bank and the Organisation for Economic Co-operation and Development yesterday published the first in a quarterly series of analyses of the indebtedness of 176 countries. The figures are available on the OECD's website at http://www.oecd.org/dac/debt/.

The organisations conceded that the data "do not yet provide a completely comprehensive and consistent measure of total external debt in each country". But they do bring together the available information on external indebtedness for the first time. The build-up of external indebtedness was crucial to the financial crises that have swept emerging market economies over the last two years. **Robert Chote, London**

SAUDI CURRENCY

Devaluation ruled out

Ibrahim Abdel-Aziz al-Assaf, Saudi Arabia's finance and national economy minister, yesterday ruled out a devaluation of the riyal. In statements published in Saudi newspapers, Mr al-Assaf said there was no economic reason to devalue since inflation was running at less than 1 per cent. "Countries are forced to devalue their currencies if they suffer high inflation . . . But Saudi Arabia has maintained very low inflation, lower than its trade partners," he said.

Mr al-Assaf's statements follow reports of pressure on the riyal and interventions by the Saudi Arabian Monetary Agency (Sama) to maintain the currency's peg to the dollar. Mr al-Assaf insisted that Sama had the capability to maintain the value of the riyal. **Roula Khalaf, London**

JORDANIAN WATER SUPPLIES

Warning over Israeli cut

Jordanian government officials yesterday warned of a serious public backlash against its peace treaty with Israel unless Israel reversed a decision to cut water deliveries to Jordan.

Under the terms of the 1994 treaty, Israel transfers to Jordan a fixed amount of water each year from shared sources in Lake Tiberias and the rivers Jordan and Yarmouk. But at the weekend, after denying there was a water crisis despite months of drought, Meir Bem-Meir, Israel's water commissioner, said water resources were 60 per cent below the average for the time of year. The deficit would be shared "equally to water destined for Israel and Jordan".

A Jordanian government official said Israel was redefining the terms of the treaty and undermining relations between the two countries. "There will be a backlash from the public, particularly since the treaty spells out in detail how water is shared." **Judy Dempsey, Jerusalem**

TRADE AND ENVIRONMENT WASHINGTON URGES WTO TO BE MORE RESPONSIVE TO ECOLOGICAL CONCERNS

Cuts urged in fishing and farm aid

By Frances Williams in Geneva

The US and other leading traders yesterday called on World Trade Organisation members to negotiate deep cuts in environmentally-damaging subsidies for fishing and farming, as part of a broader strategy to reconcile trade and environment concerns.

Addressing the first of two high-level WTO meetings this week intended to stimulate dialogue on the links between environment, development and trade, US officials said the WTO should seek out "win-win" options where trade liberalisation would yield significant environmental benefits.

These included a "substantial reduction of trade-distorting agricultural subsidies and elimination of subsidies that promote over-fishing", as well as the lowering of trade barriers to environmental goods and services such as recycling equipment.

Washington, which is under strong pressure from environmental groups at home to make the WTO more responsive to ecological concerns, is also calling for institutional reforms including greater transparency, and more co-operation between the WTO and international environmental institutions.

Environmental groups warned yesterday that public opposition to trade liberalisation would grow stronger unless the WTO struck a better balance between trade and environmental concerns. They cited the successful campaign by environmentalists to defeat an OECD attempt to negotiate a multilateral investment agreement.

"If [the WTO] fails to make meaningful commitments towards reform, the erosion of credibility with the public could spell disaster for the international trading system," said David Schorr of the US-based World Wildlife Fund.

However, many developing countries remain suspicious of attempts to "green" the WTO which they fear could be used as a pretext to restrict trade.

Sir Leon Brittan, EU trade commissioner who first called for the high-level symposium, said yesterday that he hoped the meeting would help break down "barriers of mistrust".

This could then pave the way for constructive work to ensure international trade rules and environmental concerns were mutually supportive, including the prevention of conflict between multilateral environmental agreements and WTO rules and guidelines on the use of eco-labelling.

Earlier, the US, backed by Australia, New Zealand, Iceland and the Philippines, said overcapacity of the global fishing fleet, boosted by subsidies, had led to alarming fish stock depletion and low world prices that damaged the livelihoods of fishing communities in poor countries.

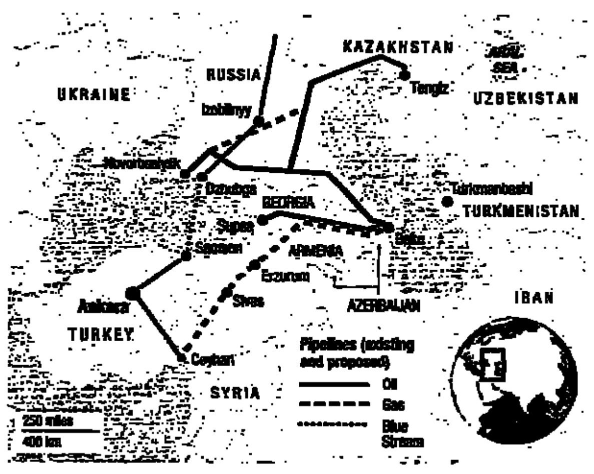
In a separate statement, the 15-strong Cairns group of agricultural free traders said farm subsidies linked to production stimulated environmentally-harmful practices including excessive use of chemicals and impoverished poor nations by depressing world food prices.

Klaus Töpfer, head of Unep, said yesterday that the international community was paying over \$50bn in fishing subsidies, over \$300bn in energy subsidies and over \$350bn in agricultural subsidies.

He called for greater co-operation between Unep and the WTO, while Renato Ruggiero, WTO director-general, repeated his call for a more powerful World Environment Organisation with which the WTO could deal on an equal basis.

Turkey tries to turn pipeline politics to its own advantage

Pre-agreement reflects support for mooted US-backed pipeline for Turkmen gas, write **Leyla Boulton** and **Robert Corzine**



Turkey's signing of a "pre-agreement" to buy 16bn cubic metres (bcm) of natural gas from Turkmenistan is the latest step by Europe's fastest growing energy market to turn international pipeline politics to its advantage.

Friday's accord, which falls short of a binding contract, was intended to signal Ankara's support for a mooted US-backed pipeline to transport Turkmen gas to western markets via Turkey. Turkey said last month this was a top priority for its energy policy together with an oil pipeline to carry Caspian oil from Baku to the Turkish port of Ceyhan on the Mediterranean.

"This is the closest Turkey has got to a national strategy for anything if it can implement it," says Ali Koç, business co-ordinator for Koç, a leading Turkish industrial conglomerate. The group is negotiating to take an equity stake in the PSG International consortium headed by Bechtel, the US construction company recently selected by Turkmenistan to build the so-called Trans-Caspian pipeline.

Turkey has two main reasons for pushing the two projects. The first is a desire to secure energy supplies to meet domestic demand that is expected to grow five-fold between now and 2020 in a country where electrical blackouts are common and per capita consumption is a quarter that of Germany.

That Turkish gas demand will rise sharply seems certain, say analysts, but they differ as to how fast it will materialise. David Tonge, whose IBS consultancy advises investors on energy planning, broadly concurs with Turkish estimates that natural gas consumption alone will rise from 9.9bcm last year to 82bcm by 2010-2015. Jonathan Stern of the Gas Strategies consultancy in London agrees that "the Turkish market is real", although he believes 45bcm by then may be a more realistic figure.

The second reason is geopolitical: like the US Turkey wishes to see the former Soviet republics of Central Asia lessen their dependence on Russia by building independent routes for their energy. By avoiding alternative Russian and Iranian routes, frowned on by the US for political reasons, Turkey would see its own regional power grow as a main transit route for energy supplies in the 21st century.

But simultaneous Turkish support for a separate gas pipeline that would cross the Black Sea from Russia has caused some to question Turkish policy. Mark Parris, the US ambassador to Turkey, argues that supporting several projects simultaneously could lead to none being built at all.

But Ankara maintains that it will need all the gas it can get, and the government has reiterated its support for Blue Stream, a pipeline to be built and financed by Gazprom of Russian and Italy's Eni to carry Russian gas.

If it can overcome technical challenges that have won it the nickname of "Blue Dream", the project could be completed before the Turkmen alternative. Mr Stern says the significance of Blue Stream is that Russia would then be able to "lock up Turkey's two main base load areas of Istanbul and Ankara". Other suppliers would be forced to share the remaining market.

Turkey also has agreements to buy 10bcm of gas a year from Turkmenistan via upgraded Iranian routes, and a contract to obtain an extra 8bcm from Russia via existing pipelines which reach Turkey via the Balkans. "If I were an Ankara planner I would be watching carefully to see if Blue Stream can happen. I'd also like to have Turkmen gas up my sleeve for comfort," says Mr Tonge.

But to keep Turkmen gas as an option Turkey may have to turn its strategic commitments into hard, commercial deals: "You don't put \$2bn on the ground only to discover that Turkish demand is not there," says Mr Stern.

Brazil to amend subsidy scheme

By John Barham in São Paulo

The president of Embraer, the Brazilian regional jet aircraft manufacturer, said Brasília would alter rather than scrap its export subsidy scheme to comply with last week's ruling by the World Trade Organisation.

The WTO ruled against the government's Proex export subsidy that provided Embraer with cut rate trade finance to help it sell its aircraft overseas. The case was initiated by Bombardier, the Canadian industrial group and Embraer's rival in the regional jet market.

Mauricio Botelho, Embraer's president, said the Brazilian government had indicated that it would adapt Proex to comply with OECD rules and the WTO ruling. Embraer would continue to use Proex as adapted as a valid instrument for sales financing. All existing commitments would be maintained.

Proex is a mechanism that lowers high Brazilian interest rates to international levels.

Gilberto Galan, corporate affairs director, said: "Our conviction is that one way or another we will still have a [support] mechanism to [enable Embraer] to compete on equal terms with other countries that continue giving subsidies."

He said Brazil's "number one objective is to export" to overcome its economic crisis and meet performance criteria set by the International Monetary Fund which has just renegotiated a \$41.5bn rescue package for Brazil. Mr Galan said Embraer was the country's second largest exporter with foreign sales of \$1.2bn. It had a backlog of \$4.5bn in firm orders.

He said: "We are operating normally. Embraer is seen as a global company that is profitable. We are confident and we are transmitting this to our clients."

NEWS DIGEST

GENETICALLY MODIFIED FOOD

Food safety debate 'threat to trade liberalisation'

Peter Scher, US deputy trade representative for agriculture, yesterday told the Senate finance committee that the US faced two problems in exporting its biotechnology products in Europe – "the effective collapse of the EU's regulatory process for new genetically engineered plants and an incomplete and unworkable food labeling regulation for foods containing genetically modified corn and soyabeans."

As long as attention on both sides of the Atlantic is focused on the debate over food safety and science, bilateral trade levels and the future of trade liberalisation is threatened, he said, along with "the availability of an abundant and safe food supply for a growing world population." However, he noted that US and Chinese negotiators, working on China's bid to join the World Trade Organisation, have made considerable progress on food safety rules although many obstacles remained. He said longstanding food safety rules, which have served as barriers to US citrus, wheat and meat exports must be resolved. "Achieving market access and reduction in tariffs are meaningless if we have not eliminated these sanitary and phytosanitary restrictions," he said. The US is demanding a removal of China's ban on wheat imports from the Pacific Northwest. It is also working on a protocol and work plan to legalise shipments of US citrus, now largely smuggled into China. **Nancy Dunne, Washington**

SOUTH AMERICAN AIR TRAVEL

Airlines form alliance

Air Aruba, Aserca Airlines of Venezuela, and Curacao-based Air ALM, yesterday formed a strategic alliance to boost their combined market share and reduce operating costs. The agreement signed yesterday in Oranjestadt, includes code-sharing on some international routes including those between Curacao, Bonaire, Caracas, Bogota, and Havana. This is expected to increase occupancy rates and release aircraft to cover other routes.

The three airlines, which have combined annual sales of \$250m, will co-operate in marketing, sales and operations. They are to share aircraft maintenance as well as training and customer service facilities in various airports. "This is an alliance to help defend our market against larger airlines that have turned the Caribbean into a battlefield which becomes more competitive every day," said Simeon Garcia, President of Air Aruba and principal shareholder of Aserca. **Raymond Collit, Oranjestadt, Aruba**

EUROFIGHTER

UK group wins \$480m contract

LucasVarity, the UK engineering group which is being bought by TRW of the US, has won contracts worth £300m (\$480m) to supply controls for the engine powering the Eurofighter combat aircraft. The company's Lucas Aerospace subsidiary will supply the fuel pump and four control instruments to companies in the Eurojet consortium which is making the EJ200 engines. The companies are Rolls-Royce of the UK, MTU of Germany, FiatAvio of Italy and ITP of Spain.
Alexander Nicoll, Defence Correspondent

THE AMERICAS

Summers urges help on credit in crises

By Stephen Fidler and Richard Lapper in Paris

The US yesterday urged development banks to provide backing for private loans to countries facing a loss of access to international financial markets.

The call for the World Bank and regionally-focused development banks to use what are called "credit enhancements" – meant to provide full or partial guarantees for private lenders – came at the annual meeting yesterday in Paris of the Inter-American Development Bank from Larry Summers, US deputy treasury secretary.

"We are convinced that credit enhancements, used strategically, can help to reduce the damage that a sudden loss of market access can bring. This will be an important area of innovation for the future," he said.

They should be used to benefit countries with strong economic policies to maintain a well balanced government debt structure, he said. They should also be used for countries trying to regain market access and not as an instrument to reduce borrowing costs. He said it was important that use of the enhancement "leveraged" significant sums of private capital without damaging the development banks' balance sheets.

Mr Summers also encouraged development banks to provide backstops for private contingency financings – as the IADB already has for Argentina. Such financings are arranged ahead of time so they can be drawn upon when access to financial markets shuts down.

Mr Summers urged great care in handling private sector lenders following a crisis. He suggested that forcing private creditors to participate in rescue packages led by the International Monetary Fund could severely damage confidence.

This was an apparent reference to debate among Group of Seven governments about whether private lenders should be forced to maintain their level of lending to Brazil ahead of last week's agreement with the International Monetary Fund that should release more than $8bn of official funding for the country. European governments have been concerned such rescue packages merely bail-out private banks that made bad loans.

However, the Brazil accord was in the end accompanied by voluntary commitments from leading creditor banks to maintain credit lines.

Mr Summers said that now "the imperative is less to stop bad loans and more to ensure confidence and adequate flows of capital".

In their voluntary agreement with Brazil, banks agreed to keep trade and interbank lines at end-February levels until the end of August. But it entailed greater transparency than previous similar agreements. Brazil has undertaken to produce weekly figures detailing outstanding trade and interbank credits, covering 95 per cent of total exposure.

Bankers have strongly rejected what they see as heavy-handed efforts by governments to force banks or investors to maintain credits or exposures. "No government can tell a mutual fund to increase its exposure," said Charles Dallara, managing director of the Institute of International Finance.

Mr Dallara said borrowers needed to concentrate on developing regular contacts and briefings with financial institutions to build up and sustain credibility. "We have encouraged Latin American finance teams to brief key investors regularly. It is critical to build up confidence in the good times ... They should brief their investors and bankers the way private companies brief their investors every quarter," he said.

"Yesterday's battle was about excess liquidity," said William Rhodes, vice-chairman of Citibank. "The concern now is how to stimulate investment flows back to the emerging markets."

Latin America 'facing recession'

By Richard Lapper, Latin America Editor, in Paris

A sharp reduction in external financing, low commodity prices and relatively high levels of interest rates will push Latin America into recession this year, according to forecasts published yesterday by the Institute of International Finance (IIF), a *Washington-based organisation* that represents international banks.

However, financial contagion in the region stemming from the crisis in Brazil is expected to be limited and some countries will begin to show improvement in the second half of the year.

In its latest economic forecasts, the IIF says it expects flows of private capital into Latin America to fall by nearly 40 per cent to $51.5bn this year.

Most of the reduction reflects a decline in bank lending and new bond issues, with net credits sinking to $5.8bn compared with $37.5bn in 1998. International companies, which have stepped up their activities in Latin America sharply in recent years, will continue to make sizeable new investments, but foreign direct investment is expected to drop to $39.4bn, $9.9bn less than in 1998.

The decline in these two areas will be only partially offset by an increase in stock market investments in the region following a withdrawal last year and increased lending by the multilaterals from $8.2bn to $16.9bn. Governments and official agencies are expected to reduce their lending from $5.7bn to $4.8bn.

Lower capital inflows will reduce imports and constrain economic activity. The IIF expects Brazil's economy – which accounts for more than 40 per cent of the region's gross domestic product – to contract by 4.8 per cent. Three other economies – Argentina, which has close trade ties with Brazil, Ecuador and Venezuela – are also expected to decline.

Overall, the region's economy will shrink by 1.5 per cent, following 2.1 per cent growth in 1998 and an expansion of 5.2 per cent in 1997.

The report says Mexico, Chile, and Peru are expected to show improvement in the second half of the year, but it expects the decline in Argentina to be limited. It praises all four countries for carrying out significant structural reforms and maintaining control of their fiscal deficits and indicates that investors are tending to offer these countries better terms than other countries in the region.

"International capital markets will increasingly differentiate strengthened performance as the year progresses and this should be reflected in growing divergence of borrowing spreads and capital flows," says the IIF.

The report says that political pressures in the run-up to elections last year contributed to a deterioration in government finances and external accounts in four countries – Brazil, Ecuador, Venezuela and Colombia – and made all four "more vulnerable to swings in foreign capital flows".

Brazil's current account deficit sharply lower in January

Brazil's current account deficit fell sharply in January, the month when the economic crisis forced the currency to fall by 39 per cent, **writes John Barham in São Paulo.**

The central bank said yesterday the deficit fell to $2.53bn in January from $3.98bn the month before.

The current account deficit in the 12 months to January was almost unchanged, closing at $35.63bn, or 4.6 per cent of gross domestic product.

A year earlier the gap stood 4.5 per cent of GDP.

The government also said its primary budget deficit, which excludes heavy interest payments on the public debt, showed a minuscule surplus of 0.01 per cent of GDP in 1998. It posted a primary deficit of 0.98 per cent of GDP in 1997.

Brasilia has now promised to raise the primary deficit to 3.1 per cent of GDP in 1999 as part of its revived agreement with the International Monetary Fund.

Volatility in January helped drive foreign direct investment down to $1.01bn in January from $2.68bn in December.

Foreign investments in the year to January stood at $26.22bn. Private sector economists forecast that foreign investment this year would fall to about $15bn, part of which is expected to be used to buy state companies listed for privatisation.

Gephardt joins Gore campaign

By Shilpa Mohan in Washington

Vice-president Al Gore yesterday secured the support of former rival Richard Gephardt in his bid for the White House next year.

Mr Gephardt, Democratic leader of the House of Representatives, made his first public statement pledging to campaign for Mr Gore in a joint trip to the key primary states of Iowa and New Hampshire.

Mr Gephardt, who withdrew from mounting his own challenge last month, said: "I have known him for a long time. And now I'm here today to make my fight putting Al Gore into the presidency of the United States."

Mr Gephardt is to concentrate on winning a Democratic majority in the House and the powerful legislative position of House Speaker. "In the year 2000, we're going to make Dick Gephardt the next speaker of the House of Representatives, and that fight starts today," said Mr Gore before a crowd of 400 supporters in Manchester, New Hampshire, yesterday.

Although there are seven possible candidates for the Republican presidential nomination, Mr Gore's only announced opponent for the Democrats is Bill Bradley, former New Jersey senator and Hall of Fame basketball player.

Aides in the Gore presidential campaign described Mr Gephardt's support as "huge" and the vice-president retains a healthy lead over Mr Bradley.

However, he is not faring as well against his leading Republican opponent, Texas Governor George W. Bush. The latest Wall Street Journal-NBC Poll shows Mr Gore 18 percentage points behind Mr Bush.

Mr Gephardt's decision came as Los Angeles was chosen as the site of the Democratic National Committee's 2000 convention to be held in August next year, beating Boston and Denver to host the vital party meeting.

Al Gore (right) embraces Richard Gephardt during their campaign visit to New Hampshire AP

FAA to decide Y2K flight bans

By Gautam Malkani in Washington

The Federal Aviation Administration yesterday said it would decide soon whether lack of preparation for the millennium computer bug would lead to bans on US carriers flying over certain countries.

The millennium bug, also known as the Y2K problem, may cause computer systems to malfunction if the two-figure ("00") date change to 2000 is read as 1900.

Federal officials have said that if they are not satisfied with other countries' plans for air traffic control, the Department of Transportation could ban flights between specified airports and the US or prevent US airlines and code sharers from flying over certain countries.

Jane Garvey, the FAA's administrator, told a congressional subcommittee that critical information would surface at the end of June, when the FAA and Air Traffic Control Systems are scheduled to have fully completed their preparations for the millennium bug.

"We're going to have some very hard decisions post June 30, together with the State Department and with the industry," she told a House hearing into the readiness of the aviation and transport sectors.

The FAA this month issued a plan for international awareness, assessment and contingency planning. Last September, the US sponsored a resolution of the International Civil Aviation Organisation urging all contracting nations to provide other countries and air space users with information on the compliance of their aeronautical, air navigation and airport services by July 1999.

Kenneth Mead, inspector general at the Department of Transportation, also said in testimony: "We need some sort of policy for whether US airlines or code sharers should be flying [to non-compliant countries]."

Mortimer Downey, deputy secretary at the department, said other countries' assurances about the safety of their airports would be measured against the quality of their assessment regimes.

US to consider Africa policy

By Nancy Dunne in Washington

Scores of African cabinet ministers gather at the State Department today with President Bill Clinton, eight cabinet secretaries, heads of aid, trade and development agencies, businessmen and non-governmental organisations for the launch of the latest US-Africa policy debate.

Three years ago, when the diplomatic corps of Africa descended on Capitol Hill to support the African Growth and Opportunity Act, US policy was for the most part emergency interventions and trade.

The legislation is further from passage than ever, but the administration has decided "to elevate Africa on our radar screen" and make it less crisis-driven.

Stuart Eizenstat, under-secretary of state for economic, business and agricultural affairs, said there were two overall policy goals: working with Africa to combat transnational security threats, such as terrorism, narcotics and environmental degradation, and integrating Africa into the global economy.

Africa supplied one out of every seven barrels of oil imported in the US; bilateral trade was brisker than that between the US and the former Soviet Union. "In many ways, it is the last frontier for US investors and exporters," he said.

The emphasis on investment by multinationals is what worries many Africans and their US allies.

Jean Bakole Bagambanya, representative of a coalition campaigning for sustainable development, has dubbed the administration's bill "part of the neo-colonist vision of development.

"Promoting private investments by multinational corporations in Africa would mean destruction of the emerging African small and medium-sized enterprises on the continent, drain the life out of local businesses, and increase unemployment among the least qualified of the work force," he said.

On a recent state visit to the US, Jerry Rawlings, Ghana's president, told Mr Clinton that trade and investment should be combined with other measures, such as debt relief.

"This is necessary for us to promote a mutually profitable US-Africa relationship," he said.

"Whatever investments all of you make into Africa will be meaningless unless we can secure a very stable economic, as well as political, atmosphere."

This, in fact, is the premise of a bill introduced by Jesse Jackson Jr, which now has more Democratic supporters than the administration's bill.

It would provide relief for most of the continent's $230bn debt.

The administration's bill provides some debt relief but focuses on trade, giving the 48 countries of the region duty and quota free access to the US market.

Mr Eizenstat said debt relief was important; however, the administration's bill had a better chance of success. "The key thing is the art of the possible," he said.

Depositors queue in Ecuador to get their sucres back

By Justine Newsome in Quito

Ecuadoreans queued from dawn yesterday to withdraw money from their banks, open for the first time after a week's bank holiday ordered by the government to prevent a run on deposits and reduce pressure on the currency.

The central bank promised to provide the banks with the necessary liquidity.

The heavy demand for withdrawals was due not only to the need to meet bills from the previous week. The closedown has also sapped popular confidence in the fragile banking system.

Uncertainty and discontent intensified over the weekend after it emerged the government was freezing almost all withdrawals from dollar accounts, as well as the partial freeze on local currency accounts announced last week.

"We shouldn't have to pay the banks' bills," said Mauricio, queueing to change dollar bills to sucres because his savings account had been frozen.

Uncertainty about the banking system was also fuelled by the resignation on Friday of four of the five central bank board members, citing differences over government policy toward the banking sector.

The government's lack of resolve in resisting political pressure to bail out weak banks is one factor holding up negotiations with the IMF for a stand-by programme.

Rising popular discontent with the government of Jamil Mahuad also focused on his decision last week to raise fuel prices by more than 100 per cent.

Taxi drivers yesterday brought Ecuador's principal cities to a standstill in protest at the measure while town and cross-country transport was suspended as buses also stayed home.

Congressional support for the government's austerity packageis also in doubt. The Social Christian party, whose votes have given the government a congressional majority, was expected last night to confirm a move into total opposition and to seek to join other parties in overthrowing the measures.

On the web today

- Americans feel prosperous and secure
- Pirates and overpaid stars bug Hollywood
- Clinton's pension reform hopes dwindle

http://www.ft.com/americas

NORTHERN IRELAND PRO-BRITISH LOYALIST PARAMILITARIES ACCUSED OF TRYING TO DRAW IRA INTO CONFLICT

Car bomb murder of lawyer rocks peace process

By John Murray Brown in Dublin and Richard Wolffe in Washington

The Northern Ireland peace process was rocked yesterday by the murder of a prominent lawyer. Rosemary Nelson, 40, was killed when her car was ripped apart by a massive car bomb in Lurgan, county Armagh.

Mrs Nelson, who had acted for several leading republicans, suffered extensive injuries in the blast and died two hours later in hospital.

The murder is expected to harden republican resistance to any move by the Irish Republican Army to decommission its arms. It comes ahead of tomorrow's St Patrick's Day reception in the White House when President Bill Clinton is expected to urge all sides not to squander the historic opportunity afforded by the April 1998 peace agreement.

The rate of sectarian killings in Northern Ireland has dropped dramatically since the agreement was signed almost a year ago, and Mrs Nelson is the most prominent victim since then.

The killing was condemned by Tony Blair, the UK prime minister, as a "disgusting act of barbarity". It provides a gory reminder of Northern Ireland's continuing political violence despite the advances of the peace process.

Mrs Nelson was part of a local delegation that met Mr Blair in Downing Street last month in an effort to resolve the long-running stand-off between nationalists and the Protestant Orange Order.

Mr Blair said: "No effort will be spared in hunting down and bringing to justice those responsible for this senseless and despicable act of murder. The sole aim of the murderers is to remove any chance of reconciliation. They will not be allowed to succeed."

Rosemary Nelson, the Northern Ireland lawyer who died yesterday after a bomb attack on her car, visited London in January. She was pictured then outside the Downing Street residence of Tony Blair, the prime minister, with Breandan MacCionnaith of the Garvaghy Road Residents' Association PA

Martin McGuinness, chief negotiator for Sinn Féin, the IRA's political wing, said it was "public knowledge that her life had been threatened on a number of occasions".

The Royal Ulster Constabulary (the Northern Ireland police) said there had no warning and as yet no claim of responsibility. But as the news spread, an angry crowd converged on the police station at Lurgan, calling on the RUC to be disbanded.

Ken Maginnis, security spokesman for the pro-British Ulster Unionist party, said the location and timing of the killing were intended to undermine David Trimble, the UUP leader and the province's first minister.

Mr Maginnis blamed the murder on pro-British "loyalists" who "want to entice the IRA back into fullscale confrontation".

In a speech in San Francisco – before news of yesterday's murder – Bertie Ahern, the Irish prime minister, appeared to acknowledge the need for Sinn Féin to compromise on the weapons issue before it could join the new Northern Ireland administration.

"It is not open to any participant or those associated with them to say that a particular part of the agreement will not happen," he said.

St Patricks Day, Page 23

Underground rail sale terms set out

By Charles Batchelor, Transport Correspondent

The private sector companies which take over responsibility for managing the London Underground railway's track and stations will be offered 25-30 year concessions but with reviews of the fees they earn every 7½ years. The network will be broken into three parts with one concession covering shallow sub-surface lines and two covering lines running in deep tunnels.

These details emerged from a progress report into the government's proposed public-private partnership made available by the Underground yesterday. The government wants private companies to contribute investments of £8.1bn ($13bn) to the network though this figure may be lower if efficiency savings can be made.

These proposals differ significantly from the way the national rail network was privatised. Unlike Railtrack, the company which has a monopoly of the national rail infrastructure apart from the Underground, the Underground's assets will remain in public ownership and the split into three concessions will allow performance to be compared.

The progress report confirmed reports that completion of the partial privatisation will be delayed with "late 2000 or 2001" given as the target date. This would take the project beyond the date for the election of a London mayor and close to a possible date for the next national election early in 2001.

The report outlined details of the timetable for the PPP with invitations to tender expected to be issued late this year with a further five months allowed for bids to be made. "We and the government are committed to this timetable," said Denis Tunnicliffe, London Underground chief executive.

However, if the bids do not offer value for money, the government could decide that this was not a suitable way of bringing in private finance and opt for a different method.

The companies or consortia which bid for concessions will be set detailed performance targets on the availability of the lines and the cleanliness of the track and stations. The winners are likely to be the companies which offer the highest level of investment in return for the lowest level of charges.

Bidders will be asked to quote firm levels of charges for the first 7½ years and provisional charges thereafter. They will also be asked to propose the rate of return they expect over the entire life of the concession.

Companies which have expressed an interest in bidding for concessions include Railtrack, Brown & Root, Balfour Beatty, Serco, Kvaerner and Bechtel.

Comment, Page 26

FedEx threatens curb on flights to Scotland

By Michael Skapinker and James Buxton

Federal Express, the US freight company, has threatened to end most of its services to Scotland unless the UK government gives it permission to fly onwards to other countries.

The possible withdrawal would have a severe impact on the Scottish electronics industry which relies on FedEx to transport many of its components.

FedEx, backed by Scottish industry, has for several years been demanding the right to fly from the UK to countries such as France. At present, the company is allowed to fly from the UK to only nine countries – Germany, Belgium, the Netherlands Lebanon, Jordan, Syria, Iran, India and Turkey.

The company said yesterday it had asked the UK government for unrestricted rights to fly to third countries from its bases at Prestwick in Scotland and Stansted near London. FedEx said it had filed its application because talks between the US and the UK to reach a liberalised aviation accord, which would cover passengers and freight, had made little progress. The latest round of talks between the governments ended without agreement last month.

Fred Smith, chairman of FDX, FedEx's parent company, has told the UK government that the right to operate freely from the two airports "is the minimum authority we need to maintain and grow our operations in the UK".

Mr Smith also said "that FedEx had reached a point in its European growth where it could no longer tolerate the economic inefficiencies imposed by the UK regulatory regime".

FedEx operates seven flights a week from the US to Prestwick.

NEWS DIGEST

'PASSING OFF' CLAIM OVER BANK NAME

US company's offshoot aims writ at HSBC unit

HFC Bank, the UK consumer finance and credit card offshoot of Household International of the US, has taken to the law courts in its effort to stop HSBC Holdings from putting its own name above branches of its Midland Bank subsidiary.

Martin Rutland, director of corporate communications at HFC, said it had served a writ on Midland, one of the world's largest banking groups, alleging "passing off" arising out of its use of the name HSBC.

HFC, which is the UK's fifth largest credit card issuer and runs, among others, Centrica's Goldfish card and General Motors' GM credit cards, is seeking an injunction preventing further use of the HSBC name. The company is also seeking damages as a result of what it says are "numerous instances of confusion which have been experienced by customers and members of the public and which continue to be repeated."

Originally Hongkong and Shanghai Banking Corporation, the group adopted the HSBC Holdings name in 1991 before it moved its headquarters to London following its takeover of Midland. It is seeking to rebrand its entire global empire, stretching from China to Brazil, under the HSBC name. **George Graham, London**

SCOTTISH POLITICS

Nationalists seek rate cut

The Scottish National party is working urgently on a £50m ($80.5m) plan to cut business rates (property taxes) for small companies after criticism from business leaders over its proposal to reject the UK government's Budget income tax cut of a penny in the pound from April next year. John Swinney, the SNP's deputy leader and Treasury spokesman, met business leaders yesterday to try to stem the hostile reactions in the run-up to the first elections for the Scottish parliament on May 6.

The SNP expects to raise £230m a year from its penny income tax plan to spend on health, education and housing. It hopes this will reverse its sagging performance in the opinion polls. Mr Swinney defended his party's tax plan as an investment that would "create a skilled, educated, healthy workforce" and said it would create jobs, not destroy them. **Brian Groom and James Buxton**

BOOK-SIGNING TOUR

Glasgow cheers for Lewinsky

Monica Lewinsky's book-signing tour of the UK moved to Scotland yesterday and about 300 people cheered as she arrived at a Borders store in Glasgow. A queue had started to form more than two hours before the store opened.

The crowds were joined by more than 60 reporters and cameramen who were warned by a member of Ms Lewinsky's staff: "If she feels claustrophobic she will just walk off." Fiona Marsh, of Michael O'Mara Books, the publishers, said that at every UK signing so far more than 1,000 copies of Monica's Story, written by Andrew Morton, the biographer of Diana, Princess of Wales, had been sold. Since the book was published in the UK on March 5, more than 32,000 copies have been sold.

Radical Moslem cleric is arrested in London

By Jimmy Burns in London and Robin Allen in Dubai

Abu Hamza, the London-based radical Moslem cleric wanted by the Yemeni government for his alleged involvement in international terrorism, was arrested yesterday in London by Scotland Yard's anti-terrorist squad.

Mr Hamza was among three men arrested and questioned under tough new provisions of the Prevention of Terrorism Act which cover the commissioning, preparation, and instigation of acts of terrorism in the UK or elsewhere.

The Egyptian-born cleric, who runs a mosque in north London, has denied being involved in bomb making. He also claims that allegations against him in Yemen were obtained by the police there using torture against detainees. Allegations by the Yemeni authorities against Mr Hamza have linked him to the kidnapping of 16 western tourists in December, and to five British nationals, including his son, who are on trial in Aden for terrorist offences.

According to senior officials in Aden, the Yemeni government has been pressing the UK to extradite Abu Hamza for the last two months. However, UK diplomats say no official request for Abu Hamza's extradition has been received either by the Foreign Office or by the British embassy in Sana'a, the Yemeni capital.

The trial in Aden of eight detainees – five of them UK nationals – in connection with an alleged terrorist plot, has been adjourned until April 20. On Sunday, a local judge watched a video purporting to show Mr Hamza's son and another of the detainees training in a terrorist camp in Albania and playing "war games". On Monday, the judge turned his attention to claims by an Aden car hire company of non-payment of an outstanding account in the name of one of the detainees.

A Yemeni government official welcomed yesterday's arrest of Mr Hamza, claiming that it was directly linked to evidence provided in support of his government's extradition request.

But UK security sources say the arrest was based on a range of information believed to have been gathered by the anti-terrorist branch together with MI5 and MI6, the security and intelligence services.

The information is thought to go beyond reported statements made by Mr Hamza, including his support for a London-based conference to discuss the bombing of airlines as recently quoted in the pan-Arabic newspaper Al-Hayat.

UK police have been reluctant to make arrests under the tough new terrorism laws because of their continuing controversial nature.

The trial in Zingibar, east of Aden, of the group accused of kidnapping the tourists in Abyan last December, has been adjourned until after the Eid al-Adha holiday, from about March 27 to March 31.

Retailers attacked for delay on ethical trading

By Robert Taylor, Employment Editor

Some of the UK's top retailers are accused of delay in implementing commitments to ethical trading in a report published today by Christian Aid, the charitable organisation.

The companies concerned say it will take at least five to ten years to complete voluntary systems to ensure products have been grown or manufactured within recognised international labour standards, says the charity.

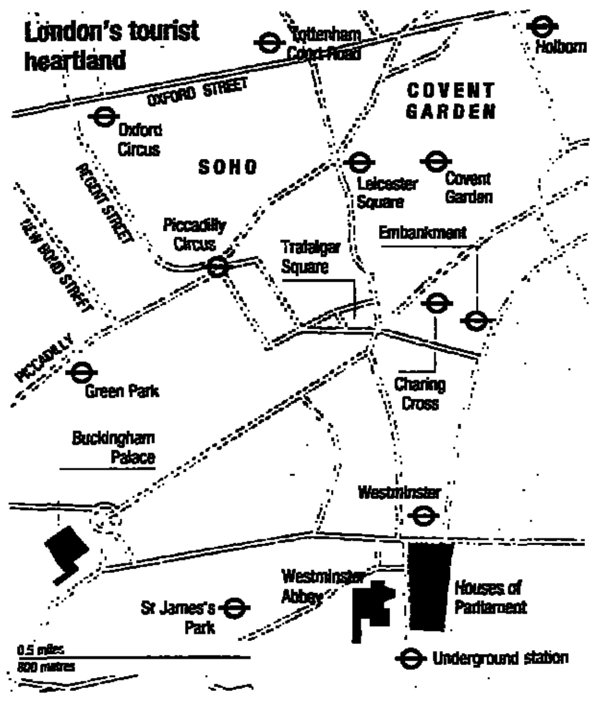
Not all retailers have signed the ethical trading initiative, launched last year by the UK government in co-operation with the companies, trade unions, manufacturers and non-governmental organisations. The initiative aims to develop and encourage labour standards and establish codes of conduct, monitoring and auditing methods.

Christian Aid said it is concerned the initiative might be used to buy companies time in the hope campaigners for ethical trading will ease their pressure. So far Marks and Spencer, J Sainsbury, the Co-operative Wholesale Society and Asda have joined the initiative. Safeway and Waitrose, an offshoot of the John Lewis Partnership, have yet to do so.

The report says Asda has yet to finalise its ethical code of practice while Tesco has absorbed its £2m budget, which Christian Aid says is "inadequate" to deal with ethical trading issues into its general expenditure. It calls on UK supermarkets to set "realistic targets" for the implementation of the initiative by the end of this year.

Move to limit bar openings in heart of London

By Deborah Hargreaves in London



Covent Garden, once the site of London's central vegetable market, throngs with tourists, and cafés spill over on to its roadways in the fashionable heart of the capital's main entertainment centre. But planners want to slow its pulse by restricting new restaurants and bars.

"The pressure for new restaurants and bars in Soho and Covent Garden is enormous. There is a strong feeling that life is becoming intolerable," said Alan Bradley, the councillor responsible for planning in the City of Westminster, the borough which covers the West End.

There has been a steep increase in applications for new restaurants and bars across London in the past five years. Since 1994, 427 new outlets have been approved of which 158 are in Soho and Covent Garden.

Critics have accused the borough authorities of concentrating on the needs of a handful of residents rather than considering the 20m tourists who flock to the area each year. The controversial new policy of limiting or even banning new openings is currently under discussion.

However, Westminster council recently refused permission for Richard Branson, chief executive of the Virgin group, to open a large restaurant and club in Soho.

"It was quite intense and would have been open very late at night," Mr Bradley said. He added that there was pressure from local residents to reduce the noise, litter and overcrowding in the area. The council is concerned residents should have "quiet enclaves" away from the frenetic development of the rest of the entertainment district. This would involve retaining some streets as predominantly residential and restricting the creation of new bars and restaurants.

"People who live here don't expect the peace of the countryside, but it is enormously important that central London remains a place where people want to live as well as work and enjoy themselves," Mr Bradley said.

CORPORATION OF LONDON MOVE TO ATTRACT FINANCIAL SERVICES FIRMS

City to aid development of sites

By Norma Cohen, Property Correspondent

The Corporation of London, the municipal authority for the City of London, is prepared to "buy in" sites in the City to make it easier for developers to assemble the large sites desired by financial services firms, to maintain London as Europe's main financial centre.

The corporation, owner of a portfolio of City freeholds and leaseholds worth about £1bn ($1.6bn), voted at a meeting two weeks ago to use its status as a property owner to assemble sites for redevelopment. It has also agreed seven sites it considers to be appropriate for construction of skyscrapers.

"We are doing this in our role of promoting the City as a business," said Judith Mayhew, head of the corporation's policy and planning committee. "We are prepared to be pro-active in site assembly or indeed, buying in bits of property."

The move comes after the recent announcement by the Frankfurt authorities that they intend to permit construction of up to 10 skyscrapers in the city centre.

It also comes as the success of Canary Wharf, the 85-acre site to the east of the City in London's Docklands, is assured with two thirds of the estate either completed or under construction and a public offering of a 25 per cent stake scheduled for the end of this month.

Corporation officials, publicly and privately, insist they no longer view Canary Wharf as a threat to the City's future. They point out that prior to the groundbreaking at Canary Wharf, City rents were about £70 to £80 per sq ft, nearly double current levels, and almost no large sites were available.

"Our attitude about Canary Wharf is that it provides much needed capacity," Ms Mayhew said. The Corporation's priority must be preserving the tax and legal structure that make London a desireable place for the financial services industry, and in making space available for it to operate profitably.

Among the options open to the Corporation are the buy-back of leases or freeholds or the formation of joint ventures with developers who wish to build on newly assembled large land lots.

Site ownership in the City is mostly fragmented, with small plots of land trading hands over centuries, and small narrow streets that bisect larger land plots. Even with the greatly relaxed planning regime in recent years, it is difficult for developers to pull together sites large enough to attract financial services firms.

Nation of Islam activist sentenced

By Sathnam Sanghera in London

A member of the Nation of Islam who assaulted police at a public inquiry into the racist killing of a black student in London was yesterday ordered to 200 hours' community service. The student's family condemned the sentence, saying it showed the "criminal system is still rife with racism".

A court in London was told that Rasaki Yesufu-Muhammad, a member of the black activist group founded by Louis Farrakhan, had kneed a police officer in the face on the day last year that five white men suspected of killing Stephen Lawrence were due to give evidence at the inquiry. The killing at a bus stop in 1993 has become the most controversial incident in British race relations for many years. No one has been convicted of the murder.

A bungled police investigation failed to secure a conviction and an inquiry into police handling of the murder last month reported the existence of "institutional racism" in the police.

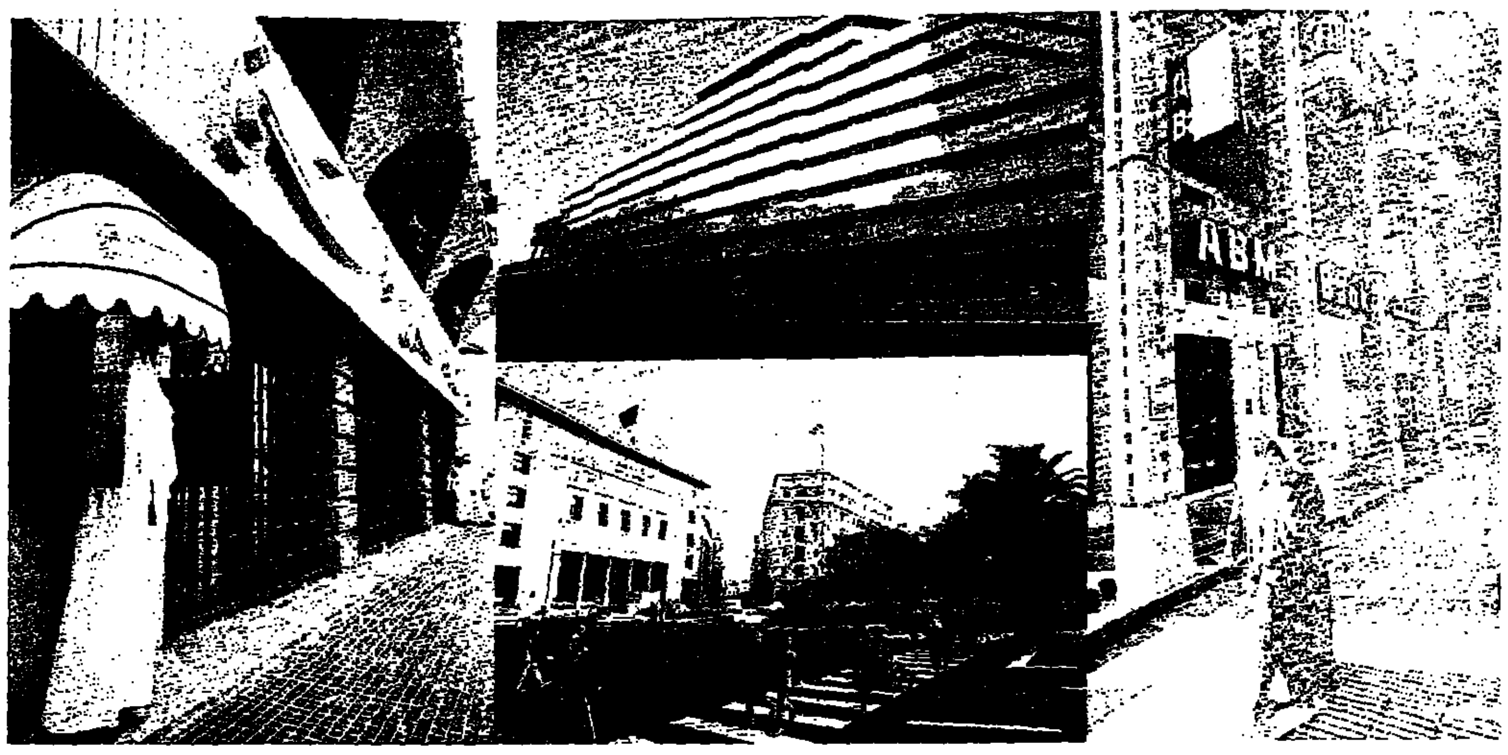
"We are outraged and horrified that the only person to face criminal prosecution following the inquiry is a young black man," the Lawrences said in a statement.

The police officer told the court he was attacked by at least three members of the Nation of Islam when violence flared at the inquiry. He was punched to the floor and kneed in the face by Yesufu-Muhammad. But Yesufu-Muhammad said he had been hunting for his glasses when the constable struck him with his baton.

FINANCIAL TIMES SURVEY
MIDDLE EAST BANKING
TUESDAY MARCH 16 1999

New era dawns as easy days come to an end

A new and different kind of revolution is now on the horizon as oil prices remain low, margins are cut and global competition increases. **Roula Khalaf** reports



At the turn of the century, Riyadh, which was later to become the capital of Saudi Arabia, had neither a currency nor anything resembling a financial institution.

A monetary system was established by King Abdulaziz in 1928 and official Saudi paper currency was issued only in 1961. The banking industry virtually moved from cash to credit cards, bypassing the cheque-book era.

Since then, banking and finance have come a long way in the Middle East. Today, Saudi Arabia has one of the region's most developed banking systems and in much of the rest of the region financial institutions are run by competent management. The banks have made huge strides in introducing modern technology and in strengthening their capital adequacy ratios. Steps have been taken towards economic liberalisation and this has freed them from stifling regulation and introduced a measure of competition.

However, a new and different kind of revolution is now on the horizon.

For the most part, business has been easy for banks in the region. In the Gulf the oil boom was for many years the source of endless lucrative deals, while a large portion of deposits has been non-interest bearing, in many cases because Moslem customers prefer to abide by the strict definition of Islamic law, which prohibits interest. Meanwhile, loans have been made largely to government institutions or to businesses under contract to the government. In the more diversified economies of the region governments have long ensured that bankers thrive in closed domestic markets and on the back of political privileges.

Not surprisingly, in most banking markets, average pretax return on equity of leading banks has been impressive, ranging from 30 per cent in Lebanon to more than 16 per cent in the United Arab Emirates and more than 15 per cent in Saudi Arabia.

In a changing environment, however, banks are facing immense challenges. With oil prices near a record low, the Gulf economies are set for a slowdown that will undoubtedly affect the banking system.

Henry Azzam, chief economist at Middle East Capital Group, a Beirut-based regional investment bank, expects real gross domestic product in the Middle East and North Africa to grow at an average rate of 0.8 per cent this year, after a 2.1 per cent growth rate in 1998. Average population growth is expected to be 2.5 per cent in 1999. Unemployment, already acute in some countries, will worsen and inflation rates will be slightly higher.

Growth, however, is projected to be higher in the diversified economies outside the Gulf. This group includes Egypt, Jordan, Lebanon, Morocco, Tunisia and the more developed economy of Israel. Egypt, says Mr Azzam, will be the brightest point, with an expected growth rate of 5 per cent this year. The Tunisian and Moroccan economies are expected to grow at 4 per cent.

Opinions vary on how alarming the effects of the collapse in oil prices will be on the Gulf banking sector but analysts and bankers agree that, as governments reduce spending and scrap projects, payment delays could lead to credit quality problems.

Moody's has already downgraded several Gulf banks. It says the deterioration in asset quality could be severe, compounded by a poor legal environment and the fact that, in some cases, true problem loans may be understated.

The challenges are of a different kind in non-oil economies, which are likely to see deposit and lending margins come under pressure.

"In these markets, the banks are having to address [the challenges of] a more open system and more competition and will have to evolve away from traditional banking into fee-income business, as well as keeping up with the developing non-bank sector," says Mohamed El-Erian, managing director at Salomon Smith Barney. "Consumers are getting more sophisticated and there is more international competition, so you will see profit margins squeezed unless the banking system reacts."

While the banks have to devise new and aggressive growth strategies to compensate for squeezed margins and provide a better service to customers, they are constrained by deficiencies in the legal and regulatory environments, by stiff labour laws and by the need for more economic reform.

In Israel markets are waiting for more bank privatisations and speedier government reform to encourage competition, while trying to cope with an economic slowdown. In Egypt, the sale of four dominant banks has yet to take place. In Morocco, only one state-owned bank has been sold. Meanwhile, in Kuwait and Saudi Arabia there has been resistance to issuing licences for new banks.

While pressing governments to accelerate reforms, bankers' strategies in coming years will be focused on consolidation and expansion into investment banking and consumer lending.

● **Consolidation:** after several Middle East banks were hurt by venturing outside the region in the oil-boom days of the late 1970s and early 1980s, many bankers believe the opportunity exists today to expand in markets close to home.

The stronger banks – in particular in Saudi Arabia, where many institutions are joint ventures with leading foreign banks – are being urged to enter other markets in the region through alliances, branches or mergers and acquisitions. They can attain market share in economies opening up to foreign competition or leave the field wide open to international banks.

The lack of integration of Middle East economies and diverse regulation remains a disincentive for cross-border consolidation. But the Gulf Co-operation Council – grouping Saudi Arabia, Kuwait, Oman, Qatar, the United Arab Emirates and Bahrain – has taken a first step to encourage inter-Gulf banking expansion by allowing banks to open branches in other countries. Analysts are waiting to see whether this ruling actually translates into new licences.

● **Investment banking:** banks are conscious of the need to expand into investment banking and so boost non-interest income, a process already started, and to promote the development of capital markets. Many banks have led the growth in mutual fund management but there remains a potential in advisory business, mergers and acquisitions and brokerage business.

Such expansion, however, is constrained by the slow development of capital markets, especially in the Gulf, where equity markets lack transparency and remain, for the most part, closed to foreign investors. With a few rare exceptions, corporate bond markets are non-existent in the region, yet their development is essential for banks to extend the maturity of deposits, lend more to a nascent private sector and reduce the mismatch on the balance sheet.

The response of regulators to innovation has often been disappointing. Lebanon has one of the most developed banking markets in the region, yet bankers complain of a lack of regulation for new instruments such as subordinated debt.

● **Retail banking:** many banks have aggressive plans to expand their retail banking business, moves which are bringing a new culture to the industry and new investments in distribution technology. With only 5 per cent to 10 per cent of the population estimated to be actively using banks across the region, there are vast opportunities for growth.

The potential in consumer lending could be helped by better regulation and the establishment of systems to assess borrowers' creditworthiness. Banks in many markets follow very conservative strategies in retail banking because of a lack of confidence in the legal system and doubts about obtaining judgment against delinquent borrowers.

Rulers and bankers will thus have to work together to unleash the potential of the banking sector and to promote product innovation. As Andrew Cunningham, senior analyst at Moody's says, "the challenge now lies not only in the banks but in the economy and in the willingness of regulators to give banks the free hand. If you could reduce costs by re-deploying workers, banks would have more flexibility. If capital markets were more open and regulators less strict, banks would have more opportunities and more imaginative things to do."

RETAIL BANKING by Mark Huband

Cautious moves to meet growing consumer demand

Reduced margins have led banks to expand their operations to safer areas such as mutual funds, private banking, insurance and credit cards

Tentative and cautious are the phrases most commonly used when describing the retail banking operations of Middle East banks, despite efforts to meet growing consumer demand for retail services.

Nomura puts the proportion of retail lending at 10-20 per cent of total lending, and the spread of services across the region has in fact provided a substantial taste of what is on offer.

Gulf states hit by sagging oil prices have experienced the most cautious moves towards expanding retail banking, with foreign banks playing a growing role.

"There are a whole bunch of retail customers who are out there wanting to buy investment products such as insurance policies, guaranteed investments, long-term deposits, individual retirement plans. The retail banks all have a customer base that is currently offered nothing but savings and deposits," said James Gardner, managing director of Banque du Caire Barclays International.

While in some countries, car loans, mortgages and credit cards are likely to become a normal part of the banking landscape, in others the risks attached are too great and the legal environment inadequate.

Even so, the determination of banks to expand operations in the face of reduced margins from corporate customers has led to the expansion of the safer areas of the retail market. Consequently mutual funds, private banking and a growing determination among insurance companies in partnership with banks to widen their range of services, has broadened the retail business. Egypt's 20 local mutual funds currently have $1.4bn under management.

"Retail banking is the only promising light at the end of the tunnel," said Mahmoud Abdel Aziz, chairman of the National Bank of Egypt. "The credit card is the area most in need of expansion. We were the first to do it [in Egypt], and now have 70 per cent of the market. Also what is needed is greater linkage with other banks, to create more cash flow." NBE plans to have 200 ATM machines within two years, as part of an automation drive intended to meet consumer demand.

The logic behind an expansion in retail banking, and in particular consumer lending, has become clearer with the prospect of competition reducing profit margins in the corporate banking arena. As one Cairo banker put it: "Financing the production of cars is going to be seen as no more important than ensuring that individuals have the means to buy those cars."

'Banks are expected to find that they must fall back on the rich resource of their client base to generate income'

The development of capital markets throughout the region is now forcing banks to develop strategies which will secure them a solid foundation when corporate customers begin to opt automatically for bond and share issues, rather than bank loans. Then banks are expected to find that they must fall back on the rich resource of their client base to generate their income.

"The question is: is there a desire to lend?" asked Andrew Beikos of Capital Intelligence, the Cyprus-based rating agency. "The banks are approaching retail consumer lending very cautiously because of the legal framework. In many parts of the Gulf the debtor would be favoured in many cases. Many bankers actually say they hate lending in this part of the world. But there is potential. And the potential would be enhanced once the regulatory and legal framework is revamped."

Vital to the development of a sound retail banking business is the need to retain adequate data on customers which can be used by a salesforce skilled in marketing the products. While the largest banks have the networks to sustain a retail business, it is doubtful whether many have either the computerised systems in place, or the staff present in provincial branches capable of radically transforming the retail business.

"The transition to retail [banking] is a result of the squeezes on profitability," said Mardig Haladjian of Moody's rating agency. "In Egypt the public sector banks have a huge customer base, but lack the expertise to develop retail banking and consumer lending. GDP per capita does make a difference. Will people be able to borrow and pay? Again, Egypt is just about starting to develop."

Liquidity clearly remains the vital issue. A shift is now under way in Tunisia to ease central bank pressure on banks to lend to investors rather than consumers.

Tunisia's 1999 finance law is intended to reduce bank tax liability as a means of improving liquidity. The new law will allow banks to deduct up to 75 per cent of their taxable income if they use the funds as provisions, greatly easing their tax burden while also allowing them to provide for the greater risks involved in the retail business. The state is also planning to take on part of the public sector debt owed to banks, thus improving asset quality.

Moroccan financiers have also seen the growth of mutual funds as a first step to grow the market and to encourage small investors to use their savings more effectively. Moroccan mutual fund managers now have around Dh25bn under management invested in assets and equities, a threefold increase on a year ago.

The main stumbling block to the expansion of retail operations is the inadequacy of the legal environment. Tentative efforts to lend, beyond the relatively developed area of credit cards, have necessitated establishing credit arrangements with manufacturers or developers through whom funds are made available to consumers.

Egyptian American Bank, which has 29 branches concentrated in northern Egypt, is about to start lending for mortgages which will entitle the developer of a property to retain the title deed until the bank has been repaid. Non-payment would give the bank the right to the property. EAB launched a car-loans programme last July, and has 800 loans with personal and corporate clients, as well as those arranged through car dealers.

"There's been a fund-gathering and deposit-gathering business, but it hasn't been transferred into a decent service," said James Vaughn, EAB managing director. "The lending service is new. There's a limited number of credit cards, limited service for loan programmes, and a limited mortgage programme. But there clearly is a segment of the population to whom it is worth offering products. Meanwhile, we have been struggling to come up with a viable mortgage product, given the legal environment."

CASE STUDY
SAUDI MERGER

New enlarged Samba has some Saudis dancing

The proposed tie-up announced in January between Samba and United Saudi Bank (USB), of which the prince is chairman and 30 per cent shareholder, has met with much public praise, thanks partly to the high profile of Saudi Prince al-Waleed Bin Talal's Kingdom Holding Company, and partly to the standing of Saudi American Bank (Samba).

Beshr Bakheet, of Riyadh-based Bakheet Financial Advisors, Saudi Arabia's only professional company devoted to analysing market trends in the kingdom, is less enthusiastic. "I have yet to see where the synergy is in this merger," he commented this month. "In most areas there is a lot of overlapping between the two. They do not complement each other. Ideally, you look for value added, where 'one plus one equals three'; where the value of the merged institution is greater than the sum of the two parts. At present, and assuming the proposed merger receives the blessing of Sama (Saudi Arabian Monetary Agency, central bank) Samba and USB only add up to two."

According to a statement issued by Kingdom Holding Company, USB would merge into Samba and the new company would take the Samba name.

Samba's chairman, Abdul-Aziz al-Gosaibi, would lead the board of the merged group. The only board change would come from the addition of Prince al-Waleed, who owns 4.6 per cent of Citigroup, which owns 30 per cent of Samba.

The government's 22 per cent shareholding in USB, through the Public Investment Fund and the General Organisation for Social Insurance, would be absorbed into Samba. This is a prospect Samba shareholders, particularly Citigroup, might not welcome, any more than they would the presence, however diluted, of Iran's state-owned Bank Melli, which owns 5.8 per cent of USB.

If it goes ahead, the Samba-USB link would be the largest merger among Gulf Arab banks with a combined market capitalisation of some $5.6bn.

Impressive as this sounds, however, it will leave the merged entity not only with the same name, but in the same place, fourth, in the league table of Middle East banks.

According to the prince, better known for his overseas investments, which include stakes in Canary Wharf in London, Citigroup, and Euro-Disney, as well as in Nigeria, Singapore and Germany, than for his chairmanship of USB, the new Samba will be the kingdom's second largest private commercial bank in terms of assets.

But the quality of USB's share of the combined assets, which, at some $20bn, would still be well behind National Commercial Bank, is precisely the area where questions are being asked.

"You come back to the same old dance music," said one Saudi analyst. "The unknown quality among so many Arab financial institutions, is their loan assets. In an economic downturn, this aspect is particularly important."

Nor, because of the secrecy surrounding much of Prince al-Waleed's operations, is it known how much his own company interests affected his running of USB.

Prince al-Waleed Bin Talal: will join Samba's board AP

The former Saudi Cairo bank that USB took over in September 1997 had 70 branches and more than 100,000 customers. In its previous form, before it took over Saudi Cairo, United Saudi Commercial Bank (USCB) as it was known when Prince al-Waleed bought it in 1988, had had no experience of retail banking. Since it bought Saudi-Cairo, USB has had less than 18 months to absorb all these retail customers.

No one has suggested Sama would withhold its approval of the merger, nor do analysts doubt that Samba will be thorough when it comes to giving USB the benefits of Citigroup automation and culture.

This may be tough on both national and expatriate employees of USB. "From the human perspective," said Mr Bakheet, "the culture of banks to be merged has to be similar."

From this point of view, Samba and USB could hardly be more different.

Robin Allen

PROFILE
BYBLOS BANK

Peace brings need to learn something fresh

Semaan Bassil is a Lebanese banker coping in a time of transition. The office moveables are being wrapped in paper as staff prepare for the big move to the new corporate headquarters in a shiny glass tower half way across Beirut.

Byblos, Lebanon's second largest bank, is bringing its head office staff together under a single roof for the first time since the civil war. Mr Bassil, the head of retail services at Byblos, believes that Lebanese banking is in a period of transition, too.

"The war was a different environment," he says. "Now the banks have to learn something new. They have to learn how to practise banking in a period of peace. It takes time to change, but they are changing – and fast."

In a quiet way, Lebanon's highly efficient banking system, the backbone of the national economy, is showing signs of profound change.

Mortgages, automatic teller machines, car loans, credit and debit cards, insurance products, personal loans and small business loans – a range of retail banking services is available in Lebanon today that would have been unthinkable five years ago.

An estimated 40,000 Lebanese credit cards have been distributed inside the country and studies suggest a potential market for 10 times that number.

Housing loans, which did not exist during the civil war, are now emerging as an increasingly popular way to finance home purchases by the middle class and upwards.

Large banks, such as Banque Audi and Byblos, are focusing on broadening their revenue base by developing consumer lending and fee-income business.

Byblos has gained a dominating lead in retail banking, most recently by acquiring Banque Libanaise pour le Commerce in a deal that will give the bank a total of 82 branches in Lebanon.

Banque Audi is trying to tap previously neglected markets such as the 35 per cent of households in Lebanon without access to a bank account.

For years, the banking sector has made easy money from government treasury bills. A great many small and medium-sized banks still put virtually all their deposits in government T-bills.

However, Semaan Bassil says clients are beginning to notice the more competitive style of retail banking and to compare the various loans on offer.

"We feel competition. That means the client is shopping around, which did not happen before. It means that today the consumer has more choice of banks offering them the same product," he says.

However, he adds, the state of the Lebanese economy plays an important role in limiting the opportunities for lending by banks.

One problem, he says, is the inability of banks to extend the maturity of housing loans which, in turn, limits the number of clients they will attract.

Restricting housing loans to those who can afford to quickly repay the loan imposes strict limits on the numbers of people who can borrow.

Semaan Bassil says the banks now focus on identifying high quality borrowers who will not default on their loans.

Mr Bassil expects fee income business to grow through the use of debit cards. There is also a large potential market for mortgages, he thinks.

In addition to a push into retail banking, analysts say Lebanese banks have to increase their corporate lending to fund reconstruction projects for the private sector. Much of the corporate banking so far has been in the form of overdrafts extended to trading companies. It has been a profitable practice for the banks and because of their conservative lending policy, relatively risk-free.

However, Thomson BankWatch, a rating agency, predicts that the conservatism in the banking sector is about to change. With a much stronger capital base and a relatively stable environment, Lebanese banks are expected to shift to more aggressive lending, increasing their risk and reducing their current high capitalisation levels.

Semaan Bassil suggests appropriate changes, including staff training and better information procedures will also assist in the transition to a more risk-oriented strategy.

As Mr Bassil – a keen student of archaeology – would know, time has the unfortunate habit of never standing still.

James Schofield

SAUDI AND GULF BANKS by Robin Allen

Suddenly, talk gives way to action

The sudden flurry of merger announcements follows a warning from Moody's about the quality of the loan assets of banks

After years of nothing but talk that bank mergers were a good idea, "bigger is better" has all of a sudden become the fashion in Saudi Arabia and the Gulf.

However, the spate of mergers announced mergers in the past two months leaves many analysts unconvinced, not least because none of the three groups of institutions which have so far announced plans to merge, have revealed anything of the quality of their loan assets or given detailed reasons why a proposed merger will add value.

The announcements started only two months after Moody's warned last autumn that deterioration in the quality of Gulf banks' loan assets could be very severe, and that asset quality problems could be understated in published accounts.

Moody's scepticism is shared by other analysts. Far from being managed according to strict professional criteria, many of the Gulf's financial institutions, they point out, are little more than extensions of the political control exercised by Gulf ruling families through the governments whose cabinets they dominate.

"Governments," according to Henry Azzam, chief economist and managing director of Middle East capital Group, "should regulate and supervise their banks rather than protect and subsidise them. The conduct of business should become more transparent, which calls for international standards of accounting and disclosure and a reliable legal system."

Many analysts suspect the Gulf bank mergers so far proposed reflect little more than their owners' compulsion to seek protection under a bigger umbrella against the prospect of lower earnings and the increased risk of bad debts, as economies feel the impact from flat oil prices and lower state spending.

Saudi Prince Al Waleed Bin Talal, chairman of United Saudi Bank (USB) and owner of 30 per cent of USB shares, said as much in a statement issued by his Kingdom Holding Company on the proposed merger with Saudi American Bank (Samba). "Using a share exchange, USB would merge into Samba. There would be little change to the existing structure of Samba's board. Both banks see significant value in such a merger given the outlook for slower growth in the region."

All of the three mergers so far proposed, including Gulf International Bank (GIB)'s tie-up with Saudi International Bank (SIB), and National Bank of Dubai's (NBD) with another Dubai institution, Emirates Bank International (EBI), as well as Samba/USB, involve banks which are either state-owned or operate in an uncompetitive government-protected domestic market, where transparency in business, analysts repeat, is ephemeral, insider-trading rampant, standards of accounting and disclosure inadequate, and legal systems non-existent or unreliable.

The outstanding exceptions to the general rule that governments and politics interfere with professional banking management are National Bank of Kuwait (NBK), and Bahrain-registered Investcorp.

These two, western analysts stress, are among only a handful of Gulf institutions which fulfil the three prerequisites for professional management: shareholders who provide adequate capital but do not interfere with the running of the bank; a board with a clear agreed strategy; and professional management allowed to get on with the job.

In February, NBK formed an asset management joint venture with Morgan Stanley Dean Witter (MSDW), under which MSDW acquired 40 per cent of NBK's asset management subsidiary, National Bank of Kuwait Investment Management (NBKIM).

The new company hopes to double the $2bn being managed by NBKIM. Ibrahim Dabdoub, NBK's chief executive officer, stressed the strategic nature of the partnership and Morgan's ability to manage and increase funds under management as the most important element of the tie-up.

Investcorp, by contrast, ploughs its own merchant banking furrow, unfettered by Gulf politics and unfazed by fads and catch-phrases, managing assets of its Gulf shareholders, and buying, managing, and selling off companies and real estate in the US and Europe. Its net profits rose last year for the 16th year in succession.

Among the merger herd, the first bank off the mark in December was Bahrain-based Gulf International Bank (GIB), the wholly-owned commercial banking subsidiary of Kuwait-based Gulf Investment Corporation (GIC), owned by the six Gulf monarchies, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE).

GIB is to merge with London-based Saudi International Bank (Sib), an investment bank half-owned by Saudi Arabia's central bank, the Saudi Arabian Monetary Agency (Sama), with the US investment bank J P Morgan having 20 per cent – a "purely political shareholding", according to one London-based Saudi banker, which reflects little more than Morgan's historical role as one of Sama's key foreign investment advisers.

Not to be outdone, NBD and EBI have also jumped on to the merger bandwagon. But their tie-up "may not provide any great synergy", according to Abu Dhabi Islamic bank's managing director Khalil Foulathi.

Dubai's ruling Al-Maktoum family owns the latter and has 30 per cent of NBD, shareholdings which would give it control of the merged entity.

This would leave family-owned MashreqBank as the only private sector national bank left in Dubai – a dangerous irony, western bankers point out, in a city-state that claims, against all appearances, to believe in a free and open marketplace.

The importance of oil in the gulf economies

Bahrain	Oil and gas: 17.1% of GDP in 1993-96
Kuwait	Oil sector: 39.5% of GDP in 1992-96
Oman	Oil and gas: 38.9% of GDP in 1993-97
Qatar	Oil sector: 34.8% of GDP in 1992-96
Saudi Arabia	Oil sector: 37.4% of GDP in 1992-95
United Arab Emirates	Oil sector: 33.8% of GDP in 1993-96

Sources: Moodys; Central Bank Reports

ISLAMIC BANKING by Mark Huband

Moves to branch out in a big way

The next few years will see mergers of Islamic banks as they try to compete in a global environment

Profiting from principal may once have been the core purpose of Islamic banks, but with the industry's growth to a point where some analysts value the Gulf business alone at $30bn, other factors have come into play.

Islamic investments have seen growth reflected in two recently launched indices of stocks compliant with the Islamic sharia law, which prohibits interest. The stocks have a combined capitalisation of $7,500bn.

The lure of the Islamic investment market has forced non-Islamic institutions to offer services which accord with the sharia. Last year, Citigroup's Global Islamic Finance Group, the US group's Islamic fund, reported a $5.9m net profit, while HSBC Investment Bank created a Global Islamic Finance department, to provide products and services compatible with the sharia.

The offer of such services by non-Islamic banks has intensified pressure on Islamic banks as they try to compete in an increasingly regulated global environment. This is proving as much of a test for them as it is for the often protected and poorly-regulated economies of the countries in which they are most active.

Central to the growth of the Islamic banking industry is the source of its wealth. With the oil wealth of the main shareholders of the leading Islamic banks less secure than at any time in the past, the viability of the institutions will come to rely increasingly upon their ability to offer services that can compete with non-Islamic banks.

The next few years are therefore certain to see mergers of Islamic banks, as they attempt to consolidate their market share, improve efficiency and allow stricter regulation of their affairs. In doing so, the attraction of their service will come under close scrutiny.

"There is a growing segment of institutional clients demanding more Islamically-compatible products," said Basil Al Ghalayini, head of the London office of The International Investor, a leading adviser on Islamic financial services.

For borrowers and depositors, the attraction of Islamic banking is clear. Negotiating loans based on expectations of profit coupled with the market cost of funds, rather than an agreed fixed interest rate, allows the borrower influence on the process of establishing the cost of borrowing. The careful allocation of loans to business has also encouraged the growth of large client depositor bases in the leading Islamic banks, lured by the prospect of a share in bank profits.

The success of the entire system depends vitally on the right investment decisions being made by the banks. The link between the borrower and the depositor is a direct one, heightening the need for high liquidity and careful regulation of the institutions.

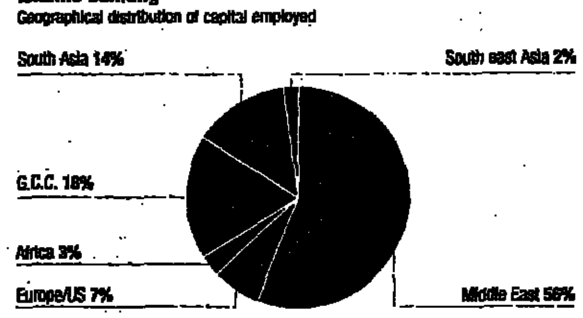
This has led to concentration on investment banking at a time when non-Islamic commercial banks are looking to increase their retail business in response to the lower margins created by intense competition for business clients. The versatility of Islamic banks in changing market conditions has consequently been thrown into the spotlight, while they remain determined to retain the depositor base they have so far built up.

In many cases the Islamic banks, with large client bases, appear best prepared for a growth in retail banking, though they have yet to develop broadly in that area.

"We are depending on small savers. This is an advantage," said Gamal Shaaban, general manager of the Faisal Islamic Bank of Egypt (Fibe), which has 400,000 individual accounts in Egypt and is seeking to open branches abroad. "Our strength lies in doing business in accordance with the Islamic sharia. But if at the end of the year I tell depositors that I didn't make a profit for them, they will go elsewhere."

Mergers are widely discussed in Islamic banking circles, as a means of spreading risk to allow the banks to develop the retail side which their client base demands but which the banks largely fail to meet.

Islamic banking
Geographical distribution of capital employed



Source: Nomura

Fibe has a mere 200 car loans outstanding, and does not even consider offering mortgages.

The opposite is true in much of the Gulf, where retail banking is an important aspect of the Islamic banking business. Even so, pressure for mergers has grown, in response to the over-reliance on oil wealth and the spate of bank mergers in Europe and the US in the past few years that have created megabanks.

But assessment of the industry's real health is complicated by the inconsistency of regulations governing the banks. While in Egypt all banks fall within the regulatory framework of the Central Bank of Egypt, ministries have control elsewhere.

Research by Capital Intelligence, the Cyprus-based rating agency which currently rates nine Islamic banks, concludes that "Islamic banking, despite its shortcomings, is gradually gaining more credibility, playing an important role in the development of many Gulf countries, and is gaining wider acceptance on international markets".

Historically, the banks asserted their independence from the non-Islamic institutions and regulators due to the non-interest-based nature of their operations. Now, pressure is mounting for Islamic banks to accept the central banks' protective and regulatory role.

Streamlined regulation of the Islamic banking industry is the likely outcome of the pressures on the industry. Islamic banks will face not only the need to develop ties with other banks which are bound by global standards of practice, but also to develop more sophisticated areas of business.

"In the coming period all the banks, not just the Islamic banks, will face problems," said the senior official of one Gulf bank. "To survive we need to become bigger. It's not our problem alone. It's a problem for all small banks. We have got investment, and the market is big enough for us to survive in a changing global climate. But only if we become bigger."

CAPITAL MARKETS by Mark Huband

Turbulence begins to take its toll

Egypt, with a market capitalisation of $27.5bn, remains at the forefront of inviting foreign investment

Radical differences in liquidity, performance and practice have been reflected in regional market trends in the wake of the turbulence faced by emerging markets in the past year. This has had an impact on the growth of capital markets throughout the Middle East and North Africa.

Although there was an average 8.9 per cent fall in stock market value in 1998 in the leading markets of the region, some fell more than 40 per cent while others rose by more than 20 per cent.

At the heart of this diversity lay the varying degrees of exposure to foreign portfolio investment. The outflow of funds tested the resilience of the more exposed markets, in particular Egypt. The experience has had a significant impact on the rate of liberalisation in the short term, and on policy formulation in the long term, particularly with regard to the pace of privatisation.

Equally chastening has been the impact on popular perceptions of stock markets in the wake of significant corrections. Selling the idea of a capital market in 1998 became as difficult as selling the shares. Consequently, privatisation business all but dried up, while initial public offerings of important family-owned companies were barely on the agenda.

This pattern was experienced in the past year in Morocco, Egypt, Oman and Kuwait, and to a lesser extent in the UAE, and has been an important obstacle to the development of capital market institutions, and, in particular, investment and merchant banks.

A shortage of liquidity has hampered the development of the Moroccan and Tunisian markets, though both have seen steps taken to remedy the traditionally low levels of trade. Morocco, with a market capitalisation of $15bn, has recently introduced a system of block trades in an effort to increase the size of transactions. Tunisia, with a mere $2.5bn market capitalisation, remains constrained by a lack of variety in stocks.

Egypt, with a market capitalisation of $27.5bn, remains very much at the forefront of opening the market to foreign investment, while also introducing increasingly stringent rules on companies seeking a listing in the debt market. Private companies must now seek a rating before issuing bonds if the value of the issue exceeds their capital. As it is, few private companies have come to market, and the government has only just restarted its privatisation programme after suspending it for five months as the market slipped lower.

Efforts to encourage the private sector to issue shares have been accelerated as governments have emphasised the resilience of regional markets in the face of global turbulence.

The clearest example of this is Tunisia, where the government is offering tax cuts to companies issuing shares. Companies which list a minimum of 30 per cent of their capital on the Tunis exchange will have their tax liability reduced from 35 per cent to 20 per cent. The 39 companies listed will receive the same tax reduction if they increase their listed capital to a minimum of 30 per cent.

As governments seek to encourage listings, concern is mounting that bank lending has become more exposed to share-price fluctuations. The paucity of available bank data mirrors a general paucity of information concerning regional stock markets.

"Even the banks themselves don't know exactly what their exposure is against shares," said Mardig Haldjian of Moody's rating agency. "Assessing it is a difficult task. Even businesses have borrowed to invest in the stock market. A good chunk of the increase in personal lending relates to shares, and we have concerns about that."

'The outflow of funds had tested the resilience of exposed markets'

Gulf banks are attempting to assess the extent to which lending has been used to buy shares. In Qatar, Kuwait, UAE, Bahrain and Oman there has been an average 36 per cent rise in the value of personal loans as a proportion of bank assets since 1994, according to Moody's. Liquidity is also tightening due to low oil prices, and an upturn will depend largely on Gulf governments further diversifying their economies.

The UAE, which has no stock exchange and is known for a lack of disclosure and insider trading, has imposed regulations demanding that loans be made only against tangible assets, while loans to companies should not exceed 50 per cent and to individuals 10 per cent of the share value.

The Saudi Arabian Monetary Exchange, the 13th largest exchange in the world with a capitalisation of $45bn and comprising 74 listed companies, remains closed to foreigners. Company secrecy and a lack of adherence to exchange rules would make investments there difficult even if the market were open.

Saudi Arabia, which in February saw share prices hit their lowest level for 27 months, has yet to license any investment banks or brokerage houses, leaving all aspects of capital markets business to asset-rich commercial banks, which face the danger of conflicting interests by acting as both lenders and investors.

Gulf finance has in the meantime become the fuel firing the Egyptian engine. Gulf investors have taken significant stakes through private placements of shares in Egyptian private sector companies, and Egyptian investment banks have made great efforts to attract Gulf funds. Meanwhile, Egypt's regulatory Capital Market Authority has embarked on ongoing reforms, which will form the heart of a new Capital Markets Law.

In 1998, investment banking was the main growth industry within the Egyptian financial sector, as brokerage and asset management suffered severe blows.

With commercial banks expanding into investment banking, the question being asked among the specialised houses is how they can best use their skills to accelerate private sector recourse to the capital markets. Vital to the new industry's success is the necessity to offer not only an alternative source of finance but also a more specialised advisory role than that offered by commercial banks.

Stock market size and performance in selected Arab countries

	$bn	$bn	%
Bahrain	7.5	8.8	-8.2
Egypt	24.0	20.1	-21.0
Jordan	5.1	5.1	+0.3
Kuwait	28.5	19.5	-30.0
Lebanon	4.5	4.4	-22.0
Morocco	12.1	15.7	+20.3
Oman	8.7	6.5	-54.8
Saudi Arabia	58.8	40.4	-32.0
United Arab Emirates	21.0	24.0	+21.0

Sources: Hermes Equity Research; Reuters

ISRAEL by Avi Machlis

Green light for privatisation

Despite a three-year economic slowdown that has affected income, Israel's former state-run banks are coping well

Investors are awaiting full year results from Israel's biggest banks at the end of March, as an indication of how the financial sector is coping with a three-year economic slowdown that shows no signs of reversing.

So far, say analysts, the banks have coped rather well, even though income has been hit. Regardless of the slowdown, investors expect the government to press ahead with privatisation and implement more reforms to boost competition in Israel's highly concentrated banking sector.

"Privatisation is clearly the area that would promote shareholder value," said Denise Vergot Holle, European bank analyst at Merrill Lynch in London. "It would be positive for the sector and ultimately the economy as well."

Israel's biggest banks were nationalised in 1983 after a share-inflation scandal threatened the sector's stability. Since 1996, the government of prime minister Benjamin Netanyahu has revived the process of privatisation which had been stalled for several years.

In 1997, the state sold a 43 per cent controlling stake in Hapoalim, the country's largest bank, to a group of private investors headed by Ted Arison, the US-Israeli billionaire, for US$1.37bn.

The government has gradually sold smaller stakes in Bank Leumi, the second biggest, receiving more than $800m, while reducing its stake from 73 per cent in mid-1997 to 42.5 per cent today. However, efforts to find an investor to acquire the remaining shares have so far failed.

Meanwhile, the government is trying to sell 35 to 53 per cent of Israel Discount Bank, the third largest and worst performer in recent years. Two groups of investors have applied, but bidding will probably not begin until national elections scheduled for May 17. The green light will be dependent upon who forms the next government. If the opposition Labour party wins, it may slow down the privatisation process.

Such a decision could sour the appetite of foreign investors for Israeli bank shares. Attractive price/book valuations of less than one times 1999 estimates have made the shares popular with foreign investors on the Tel Aviv Stock Exchange. But none has made a serious attempt to acquire control of the banks. "Israel is essentially a single market, and there is not a lot of regional branching out you can do," explains one analyst.

The banking sector is also highly concentrated. Hapoalim and Leumi together control about 65 per cent of all banking assets, with the top three controlling about 80 per cent.

The big banks defend their position against critics who accuse them of operating a cartel. "The industry is very concentrated, but it is also very competitive," insists Shimon Ravid, joint managing director of Hapoalim. "You cannot supply the level of services that we do in a small country like Israel with small banks. It's totally contrary to world trends."

Rumours that smaller banks may merge to challenge Hapoalim and Leumi's dominance are unlikely to materialise, since the regulatory authorities would probably object. Consequently, the best chance for more competition is for regulators to open up specific areas of activity.

Last year, AlphaCard became the first credit card company to challenge the big banks' credit card duopoly. AlphaCard's new services and competitive rates are taking a bite out of the fee income for the big banks, which hope an increase in the credit card market's volume will eventually offset lost income.

While privatisation has not yet fostered competition, it has increased pressure on the banks to create shareholder value. It has also sparked a debate over capital adequacy ratios.

"Naturally, shareholder value has now become a major yardstick to judge the bank, while before, we were measuring ourselves and were measured by others mostly on total profit instead of profit per share," says Mr Ravid. "This has a certain implication. There's a defined dividend policy, and a little more tier 2 on account of tier 1."

The tier 1 ratio has fallen from about 10.4 per cent in Hapoalim and Leumi at the end of 1997, to 7.7 per cent in Hapoalim and 8.5 per cent in Leumi at the end of the third quarter last year. But credit analysts question whether the time is right for such changes.

"We believe the risks are increasing in the Israeli market," says Andrew Cunningham, vice-president at the Cyprus office of Moody's Investors Service. "We think the banks should be trying to show stronger capital ratios, not leaner ones."

For example, Mr Cunningham says a 15 per cent devaluation of the shekel against the dollar during the second half of 1998 has exposed the banks' Achilles heel: foreign exchange loans account for about 38 per cent of all bank lending, totalling $29.8bn at the end of 1998.

"There is no way that all this lending is being made to people who have forex sources," he said. "As long as there is no [further] devaluation, they are fine. But there is a concern."

Indeed, the Bank of Israel expressed this concern when it raised capital adequacy requirements for commercial banks from 8 per cent to 9 per cent earlier this month.

Equity analysts, however, downplay the dangers. "So far, the devaluation has made almost no impact on the foreign currency positions of the banks," says Ms Vergot Halle of Merrill Lynch. "The construction sector, which borrowed heavily in forex, is still vulnerable. But the devaluation was less than 15 per cent, so if it stops here it is manageable."

Whether the economic slowdown will be manageable, if it continues, through 1999 remains to be seen. If it does, the banks may be pressed to carry out more vigorous cost-cutting programmes.

Israeli banks
(Millions of shekels)

	Bank Hapoalim 9 mths ended		Bank Leumi 9 mths ended		Israel Discount Bank 9 mths ended	
	Sep 30 1997	Sep 30 1998	Sep 30 1997	Sep 30 1998	Sep 30 1997	Sep 30 1998
Profit from financing activities before doubtful debts	2,968	2,859	2,998	3,025	1,650	1,680
Provisions for doubtful debts	584	446	548	398	341	406
Net profit	878	871	1,061	668	201	96
Total assets	163,647	176,122	145,143	159,371	84,880	90,500
Shareholders' equity	9,638	9,621	8,933	9,496	4,890	4,980

Sources: Bank Hapoalim; Bank Leumi; Israel Discount Bank

THE ARTS

Old Master's father in the spotlight

The name has been made famous by his daughter, Artemesia Gentileschi. Now it is Orazio's turn, writes Susan Moore

Biblical cast clothed in sumptuous contemporary dress for the sober Spanish Court: Orazio Gentileschi's later version of 'Moses'

It is a peculiarly late-20th century quirk of fate that has rendered Orazio Gentileschi less famous than his daughter. Artemesia Gentileschi has the distinction of being one of the most gifted of successful female Old Master painters. Moreover, she suffered the gross misfortune of being raped at the age of 17 by Agostino Tassi, her father's collaborator and family friend who had been entrusted to instruct her in the art of perspective.

The suit brought by her outraged father and the subsequent sordid trial of 1612, in which Artemesia's honesty was tested by thumbscrew, ensured her notoriety and public humiliation.

That she went on to specialise in a biblical and classical repertoire of victimised Susannas and Lucretias and vengeful, virago Judiths and Jaels, gorily – and unusually – depicted at the moment when they hack through necks or hammer tent pegs into temples, only enhanced her proto-feminist credentials.

Since the beginning of her critical re-evaluation during the 1970s, Artemesia has been the subject of various studies, a monograph, even a novel and a film. Only now is her far more accomplished history-painter father accorded his first monographic exhibition, and even this splendid, small-scale show of mostly large-scale paintings at the National Gallery in London, which travels on to Bilbao and Madrid, focuses on the last years of his life at the court of Charles I.

One can argue that, if not for another quirk of fate, Orazio Gentileschi would be a name as familiar to the British public as Rubens, Inigo Jones and Van Dyck. Charles I, almost alone among British monarchs, was a passionate and discerning collector and patron of the arts, amassing in his abbreviated reign one of the great art collections of Europe.

He lured Gentileschi to his court in 1626. The Italian's art was ideally suited to the Stuart aesthetic: he had been one of Caravaggio's first disciples in Rome, drawing from the work of the 1590s, rather than his later, darker and more dramatic pictures, to produce an elegant, restrained and poetical kind of Caravaggism which, from the first, gloried in rich colours and a virtuoso treatment of textiles and textures that has rarely been matched.

It seemed, however, that the king preferred the more masculine allegorical art of Rubens, and Gentileschi – and his paintings – gravitated towards the court of the queen.

Henrietta Maria had been granted Greenwich Park and Palace and set about completing the Palladian villa Inigo Jones had begun for Anne of Denmark. For this riverside house she commissioned from Gentileschi the Great Hall ceiling (nine canvases in all, its centrepiece an allegory of Peace reigning over the Arts) and gathered all his available history paintings in what must have been a striking ensemble.

Within a decade or so, these interiors were dismantled; the ceiling canvases (now in Marlborough House) cut down and heavily re-painted. His ceiling for York House was similarly transferred to Buckingham House and probably destroyed in the 18th century. Everything else was dispersed during the Commonwealth sales which followed the king's execution in 1649.

It is hardly surprising that Orazio Gentileschi is all but unknown in the country where he spent the last 12 years of his life; only two paintings re-entered the royal collection – both on loan here from Hampton Court Palace – and not one has found its way into the national collection at Trafalgar Square, in spite of the National Gallery's efforts to secure the vast "The Finding of Moses" in 1995, and art historian Kenneth Clark having been offered the "David Slaying Goliath" now in the National Gallery of Ireland.

Both pictures take a brief bow now, the coolly luminous "Moses" re-united with the "Lot and his Daughters" and "Joseph and Potiphar's Wife" from the Queen's House, and shown for the first time alongside the later version of "Moses" painted as a gift to curry favour with Philip IV.

The comparison of the two "Moses" pictures, both recently cleaned, is instructive, and finds Gentileschi improving his composition principally by sorting out less than felicitous arrangements of pincer arms and tangled feet, and dressing the barely clad maidservant now that she was off to the sober Spanish court. It is perhaps more interesting, however, to note him dressing some of his biblical cast of characters in sumptuous contemporary dress, and placing those in the English picture in a riverscape remarkably reminiscent of the Thames.

At his best, Gentileschi reveals himself a ravishing painter, but also as something more than a consummate master of extravagant costume. Even when working on a vast scale for altarpieces and history paintings he could produce images of rare delicacy.

While this gathering of 12 works, including the exquisite small oil on copper from Burghley and Van Dyck's black chalk portrait of the artist, helps us to re-evaluate Gentileschi in England, his technical mastery is perhaps more apparent elsewhere.

National Gallery, London until May 23. Then in Bilbao (June 7 to September 5). A reduced version of the show goes on display in Madrid from September 20 to November 20.

BALLET IN LONDON SPRING LOADED

Three cheers for Richard Alston

Showing Alston at his best: Martin Lawrence and Christopher Tudor Alastair Muir

It is the time of year when New Dance shows signs of spring fever, and the Spring Loaded festivities are now under way in London. A varied selection of participants, some splendid, some rather less so, will strut their stuff over the next few weeks. None, I think, will show the cool assurance that gives Richard Alston's work its particular savour. At the Queen Elizabeth Hall last week, his dancers proved a finely contrasted ensemble, excellently well seen in a triple bill of work made over the past five years.

The evening begins with the *Movements from Petrushka* which Alston first staged at the Aldeburgh Festival in 1994. I admired it then, and admire it still. The score is Stravinsky's devilish-difficult piano suite from the ballet, played at the QEH with idiomatic bravura by Richard Casey, who deserved every cheer he got. The piano is centre-stage. The dance happens round it. Three men, three women in basic black and white (yet oddly suggestive of Russian peasant dress, *Noces*-fashion) are still the Butter Week revellers, sprightly, jokey. Petrushka is now an abstraction of imprisoned aspirations (but that is what Fokine's Petrushka was, too) and the dance still bangs and rails against fate (Fokine yet again.) As danced by the tremendous Christopher Tudor, it is movement that stresses muscular power – which Tudor has – and a mute anguish that permeates every move in his expressive reading. The piece is more than a gloss; rather, like Alston's early version of *Le Sacre du printemps*, does it show how an honoured masterpiece may benefit from the bright gaze of a fresh choreographic eye.

The evening ends with Alston's 50th birthday present to himself and us, the *Liebesliederwaltzer* on which I reported last October. At the programme's heart is a new work, *Slow airs almost all of them*, which, despite its oh-so-quaint title, is a grandly focused demonstration of Alston's gifts. The score is Mozart's six adagios and fugues for string trio (K.404) – a work inspired by J.S. Bach – in which unlikely source Alston has discerned dance music whose secrets he reveals to us. Played live, and admirably so, lit with imaginative wit by Charles Balfour, its two men and four girls move through the music, borne on its waves, dipping into its ideas, gazing at its motions in dance that is both contemplative and revelatory.

It shows Alston at his very best, allusive, absolutely secure. There are chains of duets and solos, linked and dissolving sequences for the four girls, contrasts of dynamics and identity, hints of feeling, and, above all, the serenity that echoes Mozart's formal architecture. I thought it gripping, loving especially the women's quartet when they step into a pool of light and movement, then quit it, their presence still ringing through the dance like ripples on water's surface as they leave the light, only to return again and take up the music's bidding. The dancing was perfectly tuned, and I greatly liked the vivid presence of Samantha Smith, whose every action is pungent with energy.

Slow Airs is Alston at his very best, and that is something to treasure. (It should be filmed. Now). It is, be it gratefully noted, a work commissioned by the Grand Theatre, Blackpool, and the musical performance was made possible by funding from the Hattori Foundation. Hurrah for them both. And for Richard Alston.

Clement Crisp

MUSIC IN LONDON THE PHILHARMONIA

Singer takes up the baton

What a varied life our orchestras lead. One night they have their heads down for a programme of demanding 20th-century music and the next they are gritting their teeth when they are asked to be the personal backing group for an up-and-coming young tenor with attitude.

The gala concert at the Royal Festival Hall last Thursday must rank as a once-in-a-lifetime experience for most of the audience and the Philharmonia players are probably hoping it was for them too. José Cura, superstar tenor elect of the younger generation, had London's number two orchestra at his beck and call, and there was no escape.

Heaven forbid that anybody suggest the super-tenor league is the teensiest bit competitive, but even Placido Domingo has not tried his hand at an evening like this. In his operatic one-man show Cura was singer, conductor and *compère*, and at the end one would not have been surprised if he had leapt into the audience and been ringleader of the applause as well.

Unfortunately, wherever the singer took his conducting lessons, it was not at the school of Toscanini the speed-merchant. Every one of the orchestral extracts staggered along like a video in slow-motion. At one point in the *Pagliacci* Intermezzo Cura seemed to hit the freeze-frame button by mistake.

As a singer he remains hugely promising, though the voice still needs to acquire more weight in the middle range. Some cheers rang out for "Vesti la giubba" and there might have been more for the other arias, if he had not divided his energy by choosing to conduct while he was singing. Standing with his back to the orchestra, flapping his arms slowly up and down, he looked as if he was practising for the synchronised swimming at the next Olympics. Maybe Cura has more talents than he lets on.

This peculiar evening seemed doubly bizarre coming in the middle of the Philharmonia's Mahler and Vienna series. No area of the repertoire is more demanding and no conductor more unyielding in his seriousness about it than Christoph von Dohnányi, the Philharmonia's principal conductor.

The superstar tenor elect had London's number two orchestra at his beck and call, and there was no escape

The first of the week's two concerts in the series offered high technical standards without being very involving. Kyung-Wha Chung, absent for too long from the London musical scene, returned to give a performance of Berg's Violin Concerto with much of her former spirit, but it was hard to reconcile the edgy and impulsive Chung with the cool and clinical Dohnányi.

Somehow Dohnányi's recent spell in London had led one to expect that any encounter with Schubert would be heavy and didactic. So it was a pleasant surprise to find him getting the music to dance lightly on its feet. But the symphony still did not sing, engaging the mind rather than the heart.

In the second of the two Mahler and Vienna concerts the single work on the programme was Mahler's Ninth Symphony. This did not sing either but from the opening bars the performance set out with a greater sense of purpose than the Berg and Schubert promised previously.

Conductors as eminent as Solti and Abbado have passed through the awesomely great first movement of this symphony as though they had nothing to say about it, but Dohnányi rigorously cuts every phrase into the shape he wants. What he does not do is mould it with any expressive feeling, so there was no nostalgia, no affection, not even much grief at the end. There was, however, a real seriousness of intent. And after Cura's efforts, that was enough to provoke a smile of sheer joy.

Richard Fairman

Cura gala concert sponsored by Rosenblatt solicitors; first Mahler and Vienna concert sponsored by Condé Nast Publications Ltd.

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Die Zauberflöte: by Mozart. Conducted by Hartmut Haenchen in a revival of Pierre Audi's staging co-directed by Saskia Boddeke; Mar 18, 20

BERLIN

EXHIBITION
Neue Nationalgalerie
Tel: 49-30-2660
Max Ernst (1891-1976): retrospective of the German Surrealist; to May 30, then transferring to Munich

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Tosca: by Puccini. Conducted by Jacques Delacôte in a staging by Boleslaw Barlog; Mar 16

BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-212 3333
London Sinfonietta: Higglety Pigglety Pop! and Where the Wild Things Are, conducted by their composer Oliver Knussen; Mar 16

BOLOGNA

OPERA
Teatro Communale
Tel: 39-51-529999
La Cena delle Beffe: by Giordano. Conducted by Bruno Bartoletti in a revival of Liliana Cavani's staging, first seen in Zurich four years ago. The cast is led by Daniela Dessi and Alberto Cupido; Mar 16, 18, 20

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Pierre Boulez in works by Stravinsky, Debussy and Berlioz, with harp soloist Sarah Bullen; Mar 18, 20

DRESDEN

OPERA
Semper Oper
Tel: 49-351-48420
Ariadne auf Naxos: by R. Strauss. Conducted by Colin Davis in a new staging by Marco Arturo Marelli. Cast includes Susan Anthony and Jon Villars; Mar 17, 19

LONDON

CONCERTS
Queen Elizabeth Hall
Tel: 44-171-960 4242
● London Mozart Players: conducted by Matthias Bamert in a programme of works by Mozart, with tenor Mark Tucker; Mar 18
● London Sinfonietta: Higglety Pigglety Pop! and Where the Wild Things Are, conducted by their composer Oliver Knussen; Mar 17

Royal Festival Hall
Tel: 44-171-960 4242
● BBC Concert Orchestra: conducted by Barry Wordsworth in works by Rossini, Handel, Sibelius and Rimsky-Korsakov, with violin soloist Tasmin Little; Mar 16
● Philharmonia Orchestra: conducted by Benjamin Zander in a selection of waltzes by J. Strauss, and Mahler's Symphony No. 5; Mar 18

EXHIBITION
Tate Gallery
Tel: 44-171-887 8000
Jackson Pollock: arriving in London from New York, this major retrospective of the Abstract Expressionist comprises around 80 paintings and drawings drawn from major public and private collections worldwide; to Jun 6

FESTIVAL
London Handel Festival
Tel: 44-181-336 0990
London Handel Festival: highlights include a staging of Handel's opera Lotario at the Britten Theatre, with the London Handel Orchestra conducted by Denys Darlow/Paul Nicholson and soloists from the Royal College of Music (Mar 23-25); concerts at St. George's Chapel, Windsor Castle and St. George's Church, Hanover Square; to Apr 25

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Mar 18
● Parsifal: by Wagner. Conducted by Mark Elder in a new staging by Nikolaus Lehnhoff, with sets by Raimund Bauer and costumes by Andrea Schmidt-Futterer. Cast includes Kim Begley and Jonathan Summers; Mar 16

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by Bruckner; Mar 17
● Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by Mozart and Bruckner, with piano soloist Murray Perahia; Mar 20
● Stuttgart Radio Symphony Orchestra: conducted by Yutaka Sado in works by Gershwin, Chopin and Prokofiev. With piano soloist Ivo Pogorelich; Mar 18

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Katya Kabanova: by Janáček. Conducted by Paul Daniel in a staging by David Pountney, with sets by Stefanos Lazaridis and costumes by Marie Jeanne Lecca; Mar 17

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
● New York Philharmonic: conducted by Paavo Järvi in works by Paul Creston, Bartók and J. Brahms; Mar 16
● New York Philharmonic: conducted by Yuri Temirkanov in works by Shchedrin and Stravinsky, with violin soloist Hilary Hahn; Mar 18, 19, 20

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging, designed by Mark Thompson. The cast is led by Plácido Domingo (replaced by Yuri Marusin on Apr 3), Galina Gorchakova and Olga Borodina; Mar 18

New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Lizzie Borden: by Jack Beeson. New production conducted by George Manahan in a staging by Rhoda Levine, with Phyllis Pancella in the title role; Mar 18
● Madama Butterfly: by Puccini. Conducted by Guido Johannes Rumstadt in a staging by Mark Lamos first seen in November, with sets by Michael Yeargan and costumes by Constance Hoffman; Mar 17, 20

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
The Magic Flute: by Mozart. Conducted by Friedemann Layer in a staging by Robert Wilson; Mar 16, 17, 20

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
www.opera-de-paris.fr
La Clemenza di Tito: by Mozart. Conducted by Ivor Bolton in a staging by Willy Decker with designs by John MacFarlane. Cast includes Theo van der Walt and Christine Goerke; Mar 18

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Herbert Blomstedt in works by Berwald and Brahms; Mar 18, 19, 20

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Vienna Philharmonic Orchestra: conducted by Riccardo Muti in works by Schumann and Shostakovich; Mar 16
● Vienna Philharmonic Orchestra: conducted by Riccardo Muti in works by Mozart; Mar 17

TV AND RADIO

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BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PETER MARTIN

Doomed marriages

Bank mergers are no substitute for controlling costs, improving services and innovating technology

There are many bad reasons for mergers: personal vanity, fear, strategic misjudgment, belief in non-existent synergies, a search for greener grass.

Most mergers are afflicted by at least one of these. But the three-way battle in French banking is perhaps unique in suffering from all of them.

The intended merger between Société Générale and Paribas was bad enough, though no worse than most such defensive proposals. But it is the hostile overbid from Banque Nationale de Paris – for both the other two – that takes the transaction into the realm of the truly disastrous.

Only the protagonists can be sure of their own personal motives. But they undoubtedly include the right to be France's – indeed, on some measures, *the world's – top banker.*

The other vices to which mergers are prone are clearly visible. Take fear, for example. SocGen is scared of the threat from investment banking to its core lending business. Paribas is scared that – like other European investment banks – it lacks the scale and skills to compete with American rivals. BNP is scared that it will be dwarfed by the merger of the other two.

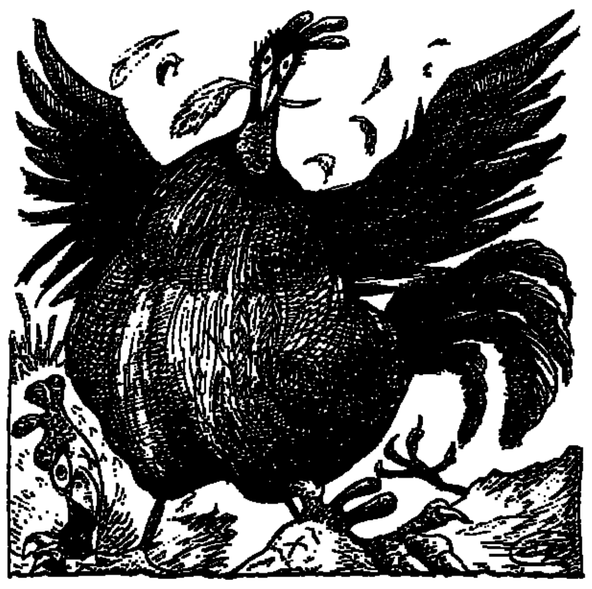
All three feel threatened by the government's lavish refinancing of Crédit Lyonnais, which has kept alive a competitor that in any other sector of industry would surely have perished from self-inflicted wounds.

And all feel scared of the double threat to the prospects of all European banks: from the continent-wide restructuring ushered in by the euro; and from the wider transformation of banking brought about by deregulation and technology.

All three are pinning their hopes on synergies, either between investment banking and commercial banking, or between two jointly owned but unmerged national banking chains.

Yet previous experience shows that the only effect produced when a commercial bank acquires an investment bank is negative. And the only guaranteed way of generating cost synergies in commercial banking, as American examples show, is by ruthless elimination of overlapping jobs – an approach rejected by BNP.

At the heart of much of what passes for strategy among European banks is a belief that anything is better than their current activities. In the past two decades they have searched for margin anywhere but in their core business, lurching from industrial holdings, to insurance, to investment banking, to geographical expansion, and now to giant mergers.



So it is unfair to blame the Paris trio for their actions, when they are merely pursuing the same approach as all their peers. Instead, step back from watching this roller-coaster ride to disaster, and ask what a rational approach to strategy would be for European banks. If it is not already too late, here are some more sensible principles:

● **Customers.** When shown the assembled yachts of the turn-of-the-century Wall Street bankers, a legendary innocent asked: "Where are the customers' yachts?" In considering most European banking mergers, a similarly simple-minded question is: where are the customers' synergies? It is hard to detect them.

If banks were genuinely focused on offering their customers, small or large, better services, they would *not be contemplating* mergers aimed so obviously at eliminating competition. Similarly, most customers could reel off a host of suggested improvements – from true internet banking to cheap cross-border money transmission services or revitalised lending products – which banks are too busy pondering strategy to implement.

● **Costs.** European banks have lost control over their costs. If this is not the case, why are they searching for mergers to deliver the cost savings that determined internal actions should provide? To find a role model close at hand, Europe's bankers need look no further than Stockholm, where Handelsbanken is committed to remaining a leader in low-cost banking. It is also one of Europe's most consistently profitable banks.

● **Innovation.** Successful businesses continuously innovate in technology, service and internal processes. Banking has undertaken some of these initiatives, but relatively few compared with other service businesses.

Deutsche Bank's determination to launch a new bank in France illustrates a commitment to geographical expansion through innovation – a refreshing contrast to its ill-judged acquisition of Bankers Trust. The new banking services offered by UK supermarkets and insurers illustrate the way *that* standard banking products can be unbundled to meet different customer needs. And US investment banks have consistently provided innovation in corporate finance services that European rivals cannot match.

It is probably too late to stop European bankers' headlong rush towards defensive mergers. The interaction between personal self-aggrandisement and the urge to preserve national champions is powerful enough to overcome any market misgivings.

But as they rush to merge let Europe's bankers at least try to build their swollen institutions around customers, costs and innovation. Otherwise, compared with transactions that lie ahead, the tragi-comedy now under way in Paris will come to seem a model of rationality.

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LETTERS TO THE EDITOR

Japanese make life easy for visitors

From Mr Philip Olden.

Sir, Paul Abrahams' comments on the ability of the Japanese to speak English ("At a loss for words", March 12) displays a typically critical and parochial view of an English speaker living outside his native country, whereby anything different is wrong, an attitude symptomatic of why so many English speakers find difficulties operating in "foreign" markets.

As a native English speaker in Japan with a less than basic competence in Japanese, I can read street signs in Roman alphabet; I receive a daily morning and evening newspaper, and bilingual daily NHK news on television, and read a telephone directory and call directory enquiries or a local helpline, all in English.

Such facilities do not exist for any non-English speaker in London, and are more extensive than any English facilities in Continental Europe. The use of English in Japan as an international lingua franca for business as well as making life easier for foreign residents and visitors is exceptional.

The curious English which is sometimes used in Japan for advertising is often effective, and communicates a nuance generally understood by the consumer. Hitachi's "Today, the future" is just as meaningful, effective and relevant to the brand and to the consumer as "Vorsprung durch Technik" has been to Audi in their very successful advertising in English-speaking markets. Pocari Sweat is no more peculiar as a brand name to an English speaker than Irish Mist to a German.

Japan's economic woes, most of which are entirely domestic in nature and cause, have little to do with the population's ability in English. Perhaps a higher appreciation of how relatively well the Japanese consumer can understand English, or a better cultural understanding by English speakers in international markets such as Japan would help English-speaking companies to penetrate the second largest market in the world, an achievement most British companies in particular have failed to attain.

Philip Olden,
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Shibuya-ku, Tokyo, Japan

Danes may pay high price for duty-free stand

From Gert Mortensen.

Sir, The European Union's 15 heads of government will most probably decide the fate of duty-free in Europe in Berlin on March 24-25. Only Denmark's prime minister, Poul Nyrup Rasmussen, is actively opposing a two and a half year extension. His position is unenviable.

Marianne Jelved, Denmark's economy minister, refuses to yield, not least because she sees a policy of "no surrender" as a vote winner for her tiny party. However, Mr Rasmussen must seriously consider whether Denmark's isolation on this issue really serves the long-term interests of his country, the EU project and Europe's workers.

An extension is of enormous importance to the the ferry industry, which is the major employer in the south of Denmark. An extension will save thousands of jobs across Europe. It will prove that the EU's leaders can act positively on employment, lending much-needed credibility to the EU employment pact due to be signed in June.

An extension will be welcomed by the public, who want duty-free to continue, with positive effects in the June elections for the European Parliament. By contrast, Denmark's veto of an extension would not be appreciated by Messrs Blair, Schröder and Jospin. One can imagine their response when Mr Rasmussen next needs a favour at the EU negotiating table. The cost to Danish interests and to Danish taxpayers could be very high.

Gert Mortensen,
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Denmark

Clarifying Turks & Caicos Islands legislation

From Mr Paul de Weerd.

Sir, I should like to clarify a couple of points in your article "Islands are urged to combat money laundering" (March 5).

The Legislative Council of the Turks & Caicos Islands passed the Company Managers Licensing Ordinance in January 1999. The only item outstanding to complete the legislation is the setting of a commencement date, which is a formality. Also, "13,000 companies and banks" should read "13,000 companies and eight banks". We do not licence private banks.

The staff of the FSC, including the companies registry, is 12, not seven. The FSC also licences trustees and insurance companies.

Paul de Weerd,
superintendent,
Financial Services
Commission,
Turks & Caicos Islands

Why the ERM story ended happily for UK

From Jiri Jonas.

Sir, Martin Wolf compares the experience of the UK after the release of sterling from the exchange rate mechanism in 1992 and that of Brazil after the floating of the Real in 1999 ("Unreal remedy", March 10). He suggests that the UK story might have had a different ending had the International Monetary Fund been involved with its "orthodox" high interest rates prescription.

However, one of the reasons the UK's story had a happy ending was exactly because it did not need to resort to the IMF programme, as it did not face external financing constraints similar to those Brazil faces now. Nor did it have to roll over a large amount of maturing short-term domestic debt. I doubt the Brazilians could sell investors Treasury bills yielding 10 per cent. (Brazil had difficulties selling them with an interest rate of 39 per cent.)

Mr Wolf also suggests that in justifying its recommendation to increase interest rates, the IMF would look at the poor inflationary history of the UK. The UK inflation history is poor by advanced economies' standards. But he may wish to compare how much price levels have increased in the past 20-30 years in the UK and Brazil. I am not sure his pocket calculator would be powerful enough to do the calculation in the latter case.

Finally, I would suggest that Mr Wolf checks with the UK authorities what the IMF did say about the UK monetary policy during the Article IV consultation after the exit from the exchange rate mechanism. He may be genuinely surprised.

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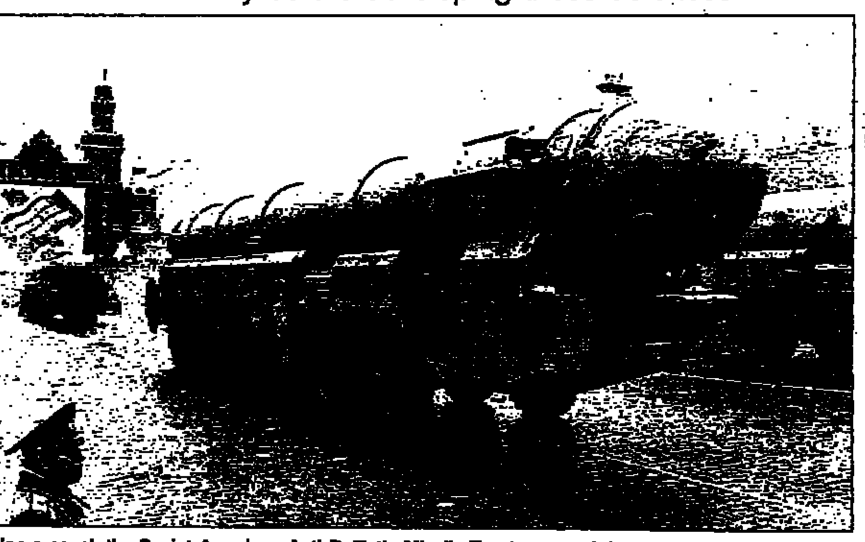
PERSONAL VIEW LAURENCE MARTIN

Star Wars: the sequel

The US is again interested in missile shields. But if it wants to avoid another nuclear arms race, it should consult widely before developing these defences

China's fury at the prospect of Taiwan sheltering under an American-designed missile shield may be merely an early round in a radical shake-up of the cold war's nuclear balance. In the later decades of the cold war, the prospect of a nuclear arms race was averted by the Soviet-American Anti-Ballistic Missile Treaty, which severely limited the defence of homelands and left stability to rest on mutual vulnerability. It was an uncomfortable feeling, but fortunately the nuclear powers derived the right conclusion from it: always behave with great caution towards each other.



Russian arsenal: the Soviet-American Anti-Ballistic Missile Treaty averted the use of such weapons

Yet the temptation to make oneself less vulnerable can be irresistible, particularly when technology promises to deliver impregnable defences. It was that promise which led the Reagan administration to pursue its "Star Wars" Strategic Defence Initiative so expensively.

Today, America is going through another episode of interest in missile shields. US fears now, a decade after the end of the cold war, centre on the threat of weapons of mass destruction coming into the hands of "rogue" regimes. Last July, a US government panel chaired by Donald Rumsfeld, a former defence secretary, concluded that the success of such regimes in concealing their acquisitions of imported off-the-shelf technology made it impossible for US intelligence services to give much advance warning of when rogues were about to get better weapons. The following month this prediction was vindicated by the provocative North Korean test firing of its Tae Po Dong missile across Japan.

The US joint chiefs of staff are considering the odds that such a missile could land a small and inaccurate payload on the US.

At the same time, US army and navy programmes are claiming success for new defences against intermediate or "theatre" missiles. The emerging technology has yet to work properly. Indeed, some of it has not yet left the drawing board. But enthusiasts believe it could be developed to provide a defence against even intercontinental missiles, and that it should be harnessed to create a National Missile Defence. This, they say, would be adequate to deal with the weak attacks of rogue states and perhaps the accidental or unauthorised launch of Russian or Chinese missiles.

The trouble is that such a system cannot be developed – let alone deployed – without serious violations of the ABM Treaty. The Clinton administration's policy, recently announced in the defence budget, is to pursue the development of a National Missile Defence, while talking to the Russians about amending the treaty, and deferring a decision on deployment until 2000 or 2001.

But a resolution passed by the Senate Armed Services Committee would like the administration to go further. It would take the decision to deploy now, seek radical changes in the ABM treaty, and if the Russians will not agree, proceed with the confidence that they would not be able to do much about it.

This has the makings of a big controversy: in the US, with the Russians, and between allies. It could reshape the whole strategic balance of the post cold war world.

The danger posed to the US and its allies by the proliferation of missiles is not imaginary. But neither is the danger of going ahead precipitately with a National Missile Defence.

While Russia and China may not have the resources to rekindle the arms race, there are nasty things they could do with their existing forces. They could, for example, abort current reductions in offensive missiles, or become more careless about leaks in technology.

There could be other counterproductive effects. One reason why the US worries about rogue states with weapons of mass destruction is that they might think they could deter US interventions. But the US already suffers many inhibitions against sending its troops abroad. So building missile defences might merely turn out to convey a hankering after Fortress America.

The danger to the US and its allies by proliferation of missiles is not imaginary

There are also reasons to question the effectiveness of a National Missile Defence. A modern possessor of weapons of mass destruction does not need missile heads to deliver them: there are cheaper, simpler options.

Moreover, in dealing with the problem of intervention, the US has relied very much on the moral and practical support of allies. Two of the most active, Britain and France, have minimal nuclear forces. These forces have been cut to the bone to afford a reorientation to mobile forces.

Neither will welcome raising the spectre of Russian missile defences; they will particularly deplore the idea, proposed in some US quarters, that the Russians might be bought off by help with defensive technology or a share in collaborative programmes.

It could hardly be in the US interest to see allied defence budgets leaking back into nuclear programmes. They have other uses for their money.

So here is the nub of the issue: even if its development were initially limited, National Missile Defence would not be just another US military programme. It would call into question the whole conceptual basis of strategic nuclear stability worked out over the past decades.

The US policy of delaying a decision about deployment until at least next year provides a much-needed breathing space for debate. It needs to be a good one.

The author holds the Arleigh Burke chair in strategy at the Centre for Strategic and International Studies in Washington

COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday March 16 1999

Responsibility in Brussels

The report by a committee of independent experts into fraud, mismanagement and nepotism in the European Commission is a damning document. It spares no one in its criticism: neither Jacques Santer, the president, nor individual commissioners, nor the commission as a whole. It exposes not only instances of mismanagement and favouritism, but a more general loss of political control over the Brussels bureaucracy. Most serious of all, it suggests that few, if any, members of the European Union's executive body are prepared to take responsibility for their actions. That is a sweeping indictment.

As far as individual commissioners are concerned, it finds none to be shown guilty of fraud, nor of having benefited financially. But it does charge Edith Cresson, the French commissioner responsible for science and research, with favouritism, and with failure to inform either Mr Santer, or the European parliament, of "serious and continuing irregularities" in one programme under her control.

Manuel Marin, the Spanish vice-president, is charged with tolerating irregular employment contracts for aid officials, which exposed the programme to fraud and irregularities. Mr Santer himself is accused of "not taking any meaningful interest" in the security office under his control, and thus failing to supervise its activities.

Behind those individual actions, or rather inaction, lies a culture which must be changed if European citizens are to have any confidence in their executive. Some may argue that ignorance of wrong-doing is a defence. The experts are in no doubt that it implies a loss of political control. As for favouritism, the report is equally damning of any appointments of spouses, relations or close friends without open competition.

That is all correct. The report also emphasises the strain on the European Commission bureaucracy, because too many tasks have been piled on to Brussels – both by the EU member states, and the European parliament – without adequate resources to carry them out. All three institutions are responsible, but not least the Commission, for failing to call a halt to the process.

It is now up to the European parliament to decide whether to reconsider its motion of censure of the Commission, and thus force its resignation. Members of parliament must decide on the basis of the evidence before them, not with an eye to their elections in June.

The position of Mrs Cresson no longer seems tenable in the light of the criticism. But Mr Santer and his colleagues will also face attacks. Only if they can show a serious commitment to reform of the system, and a willingness to take greater responsibility, do they deserve to stay in office.

Taken for a ride

The merger mania gripping carmakers worldwide suggests excess capacity and deteriorating profitability are finally forcing long-delayed industry restructuring. The test will be whether fewer, leaner and fitter competitors emerge as a result. Unfortunately, there are signs that that lesson has yet to be learned.

In France, Renault is poised to spend an estimated $4.2bn to acquire a minority stake in Nissan, Japan's second largest automotive company. In Britain, the government is preparing to offer £200m to BMW of Germany to build a new plant for its Rover subsidiary in Longbridge, rather than transfer production abroad.

A case can be made for both projects. Renault can claim that teaming up with Nissan is a unique opportunity to achieve world scale by gaining badly needed access to Asian and North American markets. Meanwhile, the British government will doubtless argue that £200m is a worthwhile price for securing 10,000 jobs and giving Rover a fresh start. Both need to think again.

Nissan has huge losses and debts, a dowdy brand and poor marketing. Achieving recovery has defeated its management and was evidently judged too daunting by Daimler Chrysler, which recently abandoned talks with the Japanese company. Some observers in Japan suspect the less muscular Renault is now favoured precisely because it lacks the clout to insist on the painful surgery essential to Nissan's survival. In such circumstances, a deal between the two could prove to be a marriage of the weak.

Indeed, it is questionable whether Renault would have persisted without support from its biggest shareholder, the French government. State ownership, with its implicit guarantee against bankruptcy, allows Renault to take risks few private companies would contemplate. But the costs of mistakes are correspondingly high – and not just for French taxpayers. Keeping Nissan in business through cash infusions, without decisively resolving its deeper problems, would distort competition and perpetuate excess capacity in the industry.

The stakes in the Rover case are smaller, but arouse similar concerns. State aid would artificially lower BMW's cost of capital and encourage demands for similar treatment by competitors. Given past government largesse, they have every reason to try. If taxpayers are not to underwrite every new motor industry investment in Britain, ministers must show clearly that they are not a soft touch for every multinational car company brandishing a begging bowl and threatening to invest elsewhere.

Handling China

Relations between the US and China have sunk to a dangerous low. Yesterday's warning by Mr Zhu Rongji, the Chinese premier, that he expects an "unfriendly atmosphere" when he visits Washington early next month shows that the mood between the two has swung to its most negative for years. How should the US administration handle its visitor?

Relations are bad for good reasons. China has not helped its case in Washington by increasing the number of missiles stationed near Taiwan. Beijing's attempts to get hold of militarily useful US technology, a poor human rights record and recent steps to restrict foreign telecommunications' companies access to the market have all raised doubts about President Clinton's approach to China.

But neither has the US done a good job of helping Mr Zhu win over conservatives in Beijing. Changes in US policy on technology exports have given a confusing message. And the US administration's studies into a theatre missile defence system for Asia, including Taiwan, though justified, have been taken by some in Beijing as a plan to contain China. Perhaps it is a surprise that relations are no worse.

A strong and consistent US line might bring better results than did wobbling in the past. On Taiwan, for example, the US must remain committed to the island's defence. But Mr Zhu will not want to complete his Washington trip empty handed – and this is where tough talking should be balanced with engagement. The one subject on which relations are fairly cordial is China's hopes of being admitted to the World Trade Organisation. Mr Zhu will want progress on this issue. He said as much yesterday, by promising that China will make "the biggest concessions" possible to gain WTO admission.

But the US should resist any temptation to accept bilateral trade deals with China. Such concessions should be open to all WTO members. Sweetheart deals would worsen trade strains with the European Union and damage the WTO's credibility.

Constructive engagement on the WTO might well create the right atmosphere for progress on more sensitive matters. The US should point out that a halt to the rise in the number of Chinese missiles opposite Taiwan would send a positive message to those in Washington who doubt the value of engagement.

Both sides should accept that continued diplomatic instability is neither in their interests nor in anyone else's. From the US point of view, an isolated China would be far more prickly. Mr Zhu's visit to Washington would be a good time to begin a more consistent relationship.

A sombre St Patrick's Day

John Murray Brown says Ulster's politicians have only one more chance to save the Good Friday Agreement

This St Patrick's Day was supposed to be a special celebration in Ireland. Almost a year after the Good Friday agreement was approved by a majority of voters, both North and South, it should have set the seal of approval on the first government of Northern Ireland ever to include Unionists and Republicans. The hope was that the two sides, by their willing suspension of disbelief, would give the province a breathing space in which bipartisan government and economic growth would gradually take root.

Instead, this year's annual pilgrimage to Washington by Northern Ireland's politicians has taken on both added importance and a sombre, uncelebratory note. Largely because of disputes about decommissioning paramilitary arms, a series of deadlines for making the overall agreement work have passed without action. Over the next few weeks, another sequence of foreseeable events is likely to make compromise even harder to achieve – beginning with the traditional "marching season" of Unionist celebrations and continuing with elections to the European parliament.

On all sides, the mood of pessimism is growing, exacerbated by yesterday's murder of a prominent human rights lawyer, Rosemary Nelson. If you exclude the tit-for-tat killings of rival paramilitary members, this was the first sectarian killing in almost two years.

In short, if the Good Friday agreement is to be saved, some progress will have to be made soon – and President Bill Clinton's White House may have to be the place in which it is saved.

Because of their dependence on the Irish American lobby, previous US administrations have traditionally been treated with some suspicion by unionists. But Mr Clinton has won begrudging admiration from both sides for his even-handedness. The President has shown a deft touch in understanding Ulster's tortuous politics.

He was instrumental in securing the IRA's first ceasefire in 1994. In appointing George Mitchell, the former senate majority leader and one of his Mr Clinton's most trusted advisers, to chair the multiparty negotiations, Mr Clinton signalled his continuing support.

Mr Clinton is expected to hold private meetings with Gerry Adams, the Sinn Féin president and David Trimble, the Ulster Unionist leader and the province's first minister. But officials are trying to reduce expectations: the president's aim, they say, is not so much to broker a deal as to cajole the parties to give the existing one a chance to work.

But the row over paramilitary arms is proving a deeply intractable problem. The lack of agreement has already forced Mo Mowlam, the Northern Ireland secretary, to delay the transfer of powers to the province's new power sharing assembly.

She has now set the week starting March 29 (Easter Week) as a deadline for parties to resolve their differences. She has committed herself to start the process of appointing a cabinet within that period – even if there is no agreement on arms decommissioning. The trouble is that, in that event, unionists would boycott the exercise leaving an executive made up exclusively of nationalists and republicans, and unable to proceed because of the rules on cross community voting. The agreement would effectively be dead.

Everything, then, hangs on the arms dispute, which has become a litmus test for lack of trust between the two communities. If the politicians can patch up their differences, the rest of the bipartisan government envisaged by the Good Friday agreement can go ahead. On the other hand, failure by the political leaders to find an formula – and a protracted stand off – would only heighten community tensions.

That would not necessarily mean a return to fighting on the streets. Security officials believe the IRA ceasefire will hold. But splinter groups could emerge to exploit the political vacuum. On the loyalist side there are extremists who are already exploiting the political uncertainties. The killing of Mrs Nelson, who acted for nationalists in Portadown in their dispute with the local Orange Order, may be an extremist attempt to sabotage the peace process.

The heart of the arms dispute is the Ulster Unionists' insistence that the IRA starts to decommission its arms so that Sinn Féin, its political wing, can take seats in the province's new government. There is nothing in the text of last April's agreement, painstakingly negotiated by Northern Ireland's nine political parties that makes decommissioning a condition for Sinn Féin members to become ministers.

But even the Irish government – which has long cautioned against demanding a gesture from the IRA – now argues it is time for the republicans to show their earnest of good intent. Pointedly Bertie Ahern, the Irish Taoiseach, says it is not enough to have "an armed peace."

John de Chastelain, a Canadian general, has been appointed to oversee the destruction of illegal arms. It may yet be that he can come up with a formula which secures an IRA commitment to disarm at some future date but falls short of delivering the down payment sought by unionists.

Officials are calculating that Gerry Adams could live with 'an honourable draw'

Certainly, there are a few small signs of movement in the dispute. In a meeting with Mr Adams last week, Mr Trimble reassured Sinn Féin he was no longer seeking prior decommissioning – but would want to see action in parallel with the establishment of the executive. He gave Mr Adams a detailed account of how Sinn Féin could be in government simply on the receipt of a fax from Gen de Chastelain making clear that IRA decommissioning was under way.

But Seamus Mallon, the nationalist deputy first minister, says no amount of clever "sequencing" will work unless the IRA is prepared to give up some weapons, which it has hitherto firmly rejected. "Trimble is trying to make it as painless as possible for the republicans. But it is all academic if the [IRA] won't disarm," says one of Mr Mallon's advisers.

Neither side has much room for manoeuvre. Mr Trimble's leadership of the unionists is already under some threat from loyalists who reject the Good Friday Agreement. Mr Adams needs to minimise the chances of a split in his own ranks and keep the support of the IRA's high command, the Army council. Successive British and Irish governments have publicly acknowledged the "inextricable links" between the Sinn Féin leadership and the Army Council.

Officials are calculating that Mr Adams could live with "an honourable draw" which does not amount to an IRA surrender. But finding the terms of this "draw" could be a lengthy process – and time is running out. One reason for the tardiness is that many republicans are waiting to see the shape of police reforms proposed by the commission headed by Chris Patten, the former Hong Kong governor. And, as Niall O'Dowd, editor of the New York based Irish Voice, and a close friend of Mr Adams, says: "No one is asking the Patten commission to rush its job."

The government has few cards to play to put pressure on Sinn Féin. It cannot, for example, suspend the programme to release IRA prisoners. Almost half of them have already been freed and suspending the programme would risk a violent backlash.

But without an early resolution the internal party challenge to Mr Trimble can only increase. Already opposed by 6 of his 10 Westminster MPs, he now faces a rebellion in the UUP party in the assembly if he lets Sinn Féin into cabinet without securing a gesture from the IRA.

The unionist block in the assembly is split with 29 members in favour of the agreement and 29 against. The complicated rules aimed at ensuring cross party support for key decisions make it possible for progress to be made with only 40 per cent of unionist members on board. But in practice Mr Trimble would be taking huge risks to push ahead without the backing of his own community. He has already given written undertakings not to dilute his demands to one truculent backbencher who had threatened to side with the dissidents.

And Mr Trimble will recall only too clearly the fate of Brian Faulkner, the UUP leader who signed up to the Sunningdale power sharing agreement in December 1973 only to find anti-agreement unionists taking all the unionist seats in the subsequent general election in February.

The political timetable offers the parties little respite. Easter Monday sees the first of the season's protestant marches when the Apprentice Boys march along the predominantly nationalist Lower Ormeau Road, a traditional sectarian flashpoint.

Campaigning for the June European elections gets under way shortly with Ian Paisley, the Democratic Unionist leader, set to use the contest to re-run Last May's referendum on the peace agreement. In euro elections, where there is just one constituency – and therefore one ballot paper – Mr Paisley has always done better than the UUP candidate. But any sign that the DUP vote has increased or the UUP vote has fallen will be seized on to challenge Mr Trimble's claims to be leader of unionism.

In addition Mr Paisley has a readymade focus for unionist discontent in the 9monthold stand off at Portadown between Orangemen and Catholic residents over the banned march through the nationalist Garvaghy Road. Mr Paisley is certain to harness it to rally opposition to the Good Friday agreement.

It is against this fragile backdrop that Mr Clinton will be urging Ulster politicians to make one last push for a settlement. For unionists, a deal offers the prospect of real power in a local administration for the first time in a generation. For nationalists, the agreement gives them an equal stake in the governance of Northern Ireland.

It may not be everything but, as Tony Blair, Britain's prime minister, reminded the parties last month, the deal represents an imperfect compromise and a hard-won way out of 25 years of communal violence. Without agreement on the arms issue, the danger is that imperfect compromise will turn into uncompromising confrontation. And the room for agreement is shrinking.

OBSERVER

The post-Oskar ceremony

Germany's back to business with a vengeance now finance minister Oskar Lafontaine's out.

The German presidency of the European Union promised "business as usual" at yesterday's Brussels meeting of economics and finance ministers. And businesslike the get-together turned out to be.

Werner Müller, the economics minister regarded as a "safe pair of hands", chaired the meeting competently under the careful eye of Dietrich von Kyaw, Bonn's long-serving ambassador to the EU.

Dominique Strauss-Kahn, the French finance minister, and UK chancellor Gordon Brown both expressed their regrets at Oskar's sudden departure and wished him well.

While Brown admitted he and Oskar had clashed over tax harmonisation, he remembered Oskar as a good chairman of the Ecofin group of European number-crunchers – a judgment not shared by every EU finance ministers.

But for one person, Oskar's sudden departure from politics had a special poignancy. EU transport commissioner Neil Kinnock enjoyed lunch with Oskar in Bonn last Thursday just hours before his demise.

Kinnock is now digesting the worthlessness of Oskar's pledge to support his plans for a trans-european transport network. Hard to stomach.

Looking daggers

Fancy the cloakanddagger life? Then now's your chance to do your bit for Queen and country. In a move that would leave James Bond reaching for his martini, Britain's spies are using headhunters to add to their numbers.

The position on offer is "London-based with extensive travel" and the winning candidate will have to think on his or her feet and "solve problems under pressure with imagination and judgment."

There's also something about maintaining contacts. And if you can "persuade and influence" people, so much the better – starting with the vetting committee.

If you get through, you'll get a three-year contract and comprehensive training in how to collect and assess intelligence; salary is a state secret.

One other tip's included in the advertisement. It's best if you don't discuss your application with another living soul. Discretion, it seems, is the better part of valour.

Busy boys

France's close-knit business elite is wrestling with a new problem – how do you schedule some quality time if all your fingers are in different corporate pies?

BNP, the bank which has just launched hostile bids for two of its rivals, is represented on the board of Renault, which just may be getting into gear for some corporate machinations of its own.

There's a Renault meeting today and while the car company isn't admitting anything fast, *le tout Paris* expects the board will give its blessing to a tie-up with Nissan Motor.

But will the hectic Michel Pébereau, BNP's ambitious boss, be motoring along to the crucial meeting? More to the point, will the potential for Franco-Japanese synergies in the car industry get him firing on all cylinders?

Near miss

There were almost red faces to match the red carpets at Helsinki airport yesterday. Until very recently, chaos has reigned because of a month-long strike by air traffic controllers.

That threatened to cause a diplomatic headache since Nelson Mandela, Yassir Arafat and Gerhard Schröder were all due in town yesterday.

No wonder local politicians heaved a huge sigh of relief when the traffic controllers vowed to return to work, settling for a 13 per cent pay hike. So Mandela was able to head for Copenhagen and Arafat for Oslo, while Schröder hit the tarmac after a whistle-stop visit to Copenhagen and Stockholm.

"It was quite tough to have the strike threat, but at least they got here," said one senior government official. "I was stranded in Brussels."

Swiss Undertaking

When UBS "took over" the smaller Swiss Bank Corporation last year it was painful to see how the old UBS guard was elbowed aside.

Not only did SBC's Marcel Ospel bag the chief executive slot, which by rights should have gone to the now-departed UBS chief executive Mathis Cabiallavetta, but SBC got to run three of the four main businesses and supply the chief financial officer.

Now Ospel has reorganised his top team for the second time in six months and a clutch of old SBC hands have, perhaps unsurprisingly, won out.

One of them, Peter Wuffli, is heading west to Chicago to knock UBS's Brinson fund management business into shape. If he can make the grade, his chances of succeeding Ospel will hardly be hurt.

But unkind onlookers have dubbed him charismatically challenged. A shame really, as these days, with the ever-present need to sweet-talk investors, even Swiss bankers need a bit of charm.

The Financial Times

100 years ago

March Of The Telephone

Berlin has 29,000 subscribers to the telephone system, each paying an annual sum, if within five kilometres of the central exchange, of 150 marks; if beyond that distance an additional rate is charged for every hundred metres. Connection with the suburban system is also extra. The systems in Francfort-on-Main, Leipsic, Cologne and Hamburg cost the subscriber the same as in Berlin. In Rome the annual subscription is 200 lire. Subscribers in Bergen pay an average of 68 kroner while in Berne a subscriber pays 100 francs for the first year, and 80 for the second year.

50 years ago

Java Estates Close

Amsterdam, March 15. It is semi-officially reported that the deteriorating position of the Dutch in Eastern Java, owing to attacks by irregular Republican bands, has led to the closing down of 19 estates and to stagnation on others. After last year's rapid recovery, there has been a marked setback, and production of such commodities as rubber and sugar has been hit.

FINANCIAL TIMES

TUESDAY MARCH 16 1999

THE LEX COLUMN

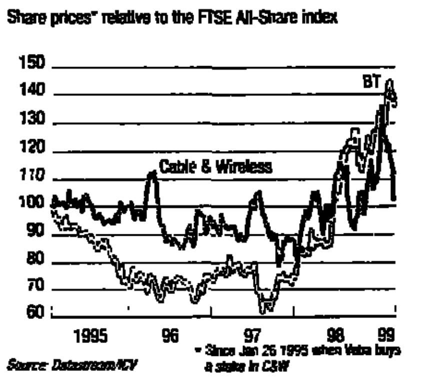
Nissan dorma

Renault seems to have read DaimlerChrysler's decision to walk away from Nissan as an opportunity rather than a warning. The French carmaker is continuing its pursuit of the struggling Japanese company at full speed. Louis Schweitzer, Renault chairman, appears to be planning to inject Y500bn ($4.2bn) for a stake of between 35 and 40 per cent. This is less than the majority stake Daimler was tilting at, but enough to veto board decisions – all the power Renault believes it needs to push through restructuring.

Whether this optimism is justified is moot. Renault has certainly turned itself round spectacularly since 1996. But it is questionable whether it is better equipped than Daimler to undertake a restructuring as complex as that required at Nissan. The scale of the task is awesome. Nissan produces 50 models on more than 20 platforms – about the same as the whole of the western European car industry. Sorting this out will take years, even if Nissan's management proves *enthusiastic*.

The fear is that Renault will start out with one hand tied behind its back. It is *settling for a veto rather than full* management control to avoid consolidating Nissan's losses and liabilities – a burden the larger Daimler was prepared to shoulder. This has consequences, notably that Renault will not have the whip hand in controlling the board's agenda. Moreover, its capital injection will make barely a dent in Nissan's Y4,300bn of liabilities. Renault will have to work very hard to justify any deal on these lines.

Cable & Wireless/British Telecommunications
Share prices* relative to the FTSE All-Share index



Source: Datastream/ICV
* Since Jan 26 1995 when Veba buys a stake in C&W

French banks

Banque Nationale de Paris has made much of its grand plan to combine France's three biggest quoted banks. But BNP shareholders who remain unconvinced may be disadvantaged by French takeover rules. If they are hoping to have the alternative of a bid for BNP, the hurdles at this stage are breathtakingly high. *Such a bidder could not go for BNP alone*, costing €17bn ($18.53bn) plus a premium. It would also have to take on BNP's bids for Société Générale and Paribas, trebling the size of the target. The reason is that the French rules make the last bid in a series irrevocable, and it is virtually impossible to make a conditional offer. So if there is, say, a Dresdner out there tempted to bid for BNP, it cannot do so on condition that BNP's bids do not go ahead. It could say it intends to bid later if BNP's move fails. But this would not be binding. So any wary BNP shareholders who would *prefer* the bank to sell itself will just have to vote against its plan and take their chances.

Investors in Société Générale potentially have a better set of options. Now that BNP has come in with a higher offer, it could withdraw its bid for Paribas, which might make it easier to find a white knight. As for those in Paribas, the rules are designed to protect them from being left with nothing. It is a pity rather less care is taken of investors in the bidder.

US accounting

It may be the habit of old-timers to muse that things are not what they were, but it is hard to quibble with Warren Buffett's complaints about the state of modern accounting. Three decades ago, he says, it was easier to tell the good guys from the bad: but these days accounting trickery has become almost institutionalised. That is worth remembering as the *goodies get handed out in Corporate* America's annual share options bonanza.

Take Microsoft. Accounting purists can argue all they like about how best to value the options that companies distribute like confetti. But there is no escaping the fact that the software giant has handed out a stunning $60bn of benefits *that have never touched its profit and loss* account. That was the value of unexercised employee options at the end of last year. Meanwhile, based on the number of options outstanding six months ago, Cisco's staff have a $17bn pay-day coming.

Mr Buffett's quaintly old-fashioned view is that options are a form of compensation, compensation is an expense and expenses should be deducted from earnings. But the accounting rule-makers lost this fight long ago – even before internet companies like efox.net, the first online pornography company to seek a stock market listing, dreamt up the idea of paying its models in stock options. The sharp-eyed will have noticed that there are no technology companies among Mr Buffett's core holdings.

C&W/Veba

Is Veba's sale of its stake in Cable and Wireless significant? Yes, but only in the sense that here was a dog that did not bark. Not only did Veba itself not use its 10 per cent stake to bid for the whole of C&W but it did not sell the stake to an acquisitive trade buyer either. That would presumably have fetched a premium price. Instead, it has had to accept a big discount.

The natural conclusion is that nobody is really interested in buying C&W, despite years of rumour to the contrary. If so, this would not be too surprising. Despite a whirlwind of deals under Dick Brown, its former chief executive, C&W is still in something of a strategic mess. Its relationship with China remains uncertain, and its businesses in the rest of the world do not hang together as a coherent whole.

If C&W was a normal company, it would be a prime candidate for a break-up bid. The shares, after all, trade at a discount of perhaps 30 per cent to the sum of its parts. The snag is that, under takeover rules, any potential bidder would probably *also have to bid for its minority stakes* in Cable & Wireless Communications and Hongkong Telecom, its UK and Hong Kong subsidiaries. Add in various poison pills – such as the risk that some of its licences might be revoked – and C&W does not look such an appetising target after all.

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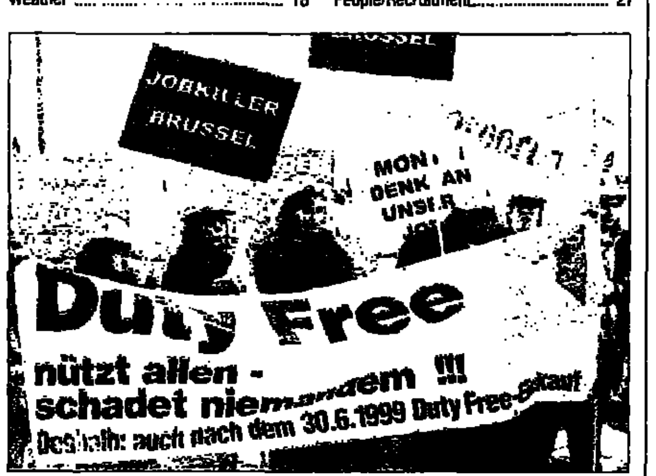
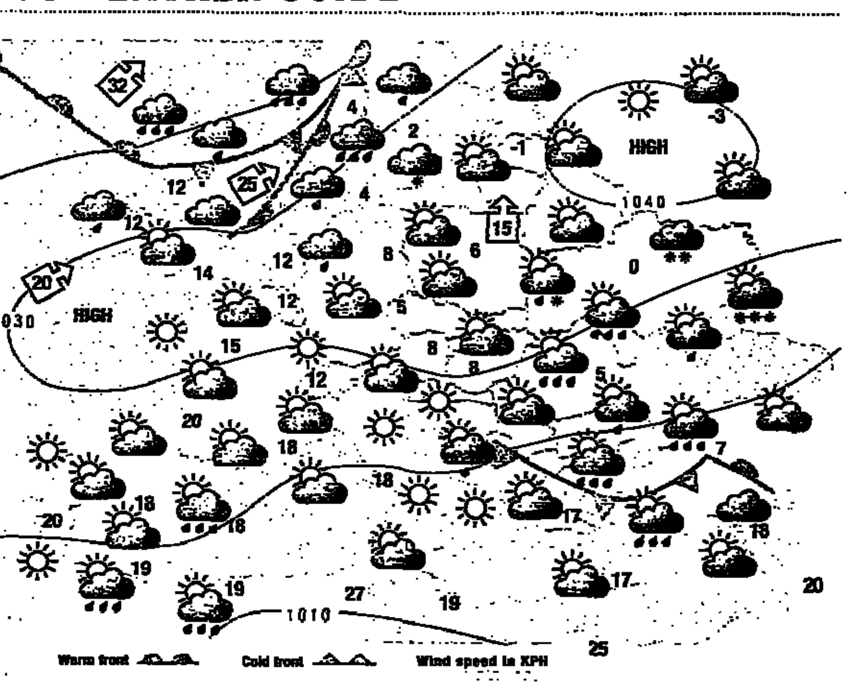


Protesters demonstrate in Brussels against the abolition of duty free sales within the European Union. Another protest in Calais halted Channel tunnel traffic. Page 2: Eurotunnel results, Page 19 Picture: Reuters

FT WEATHER GUIDE

Europe today
Much of Europe will be dry and sunny after early fog patches have lifted but the east will be cold. The Mediterranean will be warm and sunny but southern parts of the Iberian Peninsula will have heavy showers or thunderstorms. The Balkans and western Turkey will have showers. Ukraine will have scattered showers, mostly snow or sleet, while Russia will stay mainly dry but cold. Snow will spread eastwards across Scandinavia but the west and south will become milder with snow turning to rain.

Five-day forecast
Most areas will be dry for two or three days but heavy showers will break out across central regions and the central and eastern Mediterranean. More rain will spread across Scandinavia, with snow in the north and east. Western Europe will catch isolated showers and the Iberian Peninsula should become dry.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES (Maximum Celsius)

		°C	°F
Abu Dhabi	Sun	24	75
Accra	Cloudy	31	88
Algiers	Shower	19	66
Amsterdam	Cloudy	12	54
Athens	Fair	17	63
Atlanta	Sun	21	70
B. Aires	Fair	28	82
B.ham	Fair	11	52
Bangkok	Fair	36	97
Barcelona	Fair	18	64
Beijing	Cloudy	11	52
Belfast	Cloudy	11	55
Belgrade	Fair	8	46
Berlin	Fair	8	46
Bermuda	Rain	23	73
Bogota	Cloudy	20	68
Bombay	Sun	32	90
Brussels	Sun	12	54
Budapest	Fair	8	46
C.hagen	Shower	4	39
Cairo	Sun	22	72
Caracas	Cloudy	30	86
Cardiff	Fair	10	50
Casablanca	Thunder	18	64
Chicago	Sun	9	48
Cologne	Sun	13	55
Dakar	Fair	23	73
Dallas	Fair	25	77
Delhi	Sun	30	86
Dubai	Sun	24	75
Dublin	Fair	12	54
Dubrovnik	Sun	12	54
Edinburgh	Cloudy	13	55
Faro	Fair	20	68
Frankfurt	Sun	13	55
Geneva	Sun	12	54
Gibraltar	Shower	19	66
Glasgow	Cloudy	11	52
Hamburg	Fair	9	48
Helsinki	Fair	-1	30
Hong Kong	Cloudy	19	66
Honolulu	Fair	27	81
Istanbul	Shower	7	45
Jakarta	Rain	33	91
Jersey	Fair	11	52
J'burg	Thunder	24	75
Karachi	Sun	30	86
Kuwait	Fair	23	73
L. Angeles	Cloudy	15	59
L Palmas	Shower	21	70
Lima	Cloudy	27	81
Lisbon	Sun	20	68
London	Fair	13	55
Lux.bourg	Sun	12	54
Lyon	Fair	15	59
Madeira	Fair	18	64
Madrid	Fair	18	64
Majorca	Fair	18	64
Malta	Fair	19	66
Manchester	Fair	11	52
Manila	Fair	31	88
Melbourne	Fair	23	73
Mexico City	Sun	28	82
Miami	Sun	24	74
Milan	Sun	15	59
Montreal	Sun	4	39
Moscow	Fair	-3	27
Munich	Fair	8	46
Nairobi	Cloudy	26	79
Naples	Fair	18	64
Nassau	Sun	25	77
New York	Fair	9	47
Nice	Fair	18	64
Nicosia	Fair	18	64
Oslo	Rain	4	39
Paris	Sun	15	59
Perth	Fair	29	84
Prague	Fair	5	41
Rangoon	Sun	36	97
Reykjavik	Snow	2	36
Rio	Cloudy	26	79
Rome	Sun	18	64
S. Frsco	Sun	16	62
Seoul	Cloudy	14	57
Singapore	Rain	32	90
Stockholm	Snow	2	36
Strasbourg	Sun	14	57
Sydney	Fair	24	75
Tangier	Fair	20	68
Tel Aviv	Fair	20	68
Tokyo	Fair	17	63
Toronto	Fair	4	38
Vancouver	Rain	11	51
Venice	Sun	14	57
Vienna	Fair	8	46
Warsaw	Fair	6	43
Washington	Fair	13	55
Wellington	Fair	20	68
Winnipeg	Sleet	5	41
Zurich	Fair	11	52

WEST STEPS UP DIPLOMATIC AND MILITARY PRESSURE ON MILOSEVIC

Ethnic Albanians accept Kosovo peace agreement

By David Buchan in London

Kosovo's ethnic Albanians yesterday agreed to an overall peace accord for the province, prompting the west to increase diplomatic and military pressure on President Slobodan Milosevic of Yugoslavia to agree to the deal.

Nato has repeatedly threatened to bomb Yugoslavia's military network if Belgrade obstructs progress to peace in the province. But these threats only gained credibility yesterday, the first day of the latest round of peace talks, when representatives of Kosovo's ethnic Albanian majority accepted the accord.

As Serbian forces continued to pound rebel Albanian positions in Kosovo, which is ruled by Serbia as part of federal Yugoslavia, US president Bill Clinton forecast that if Mr Milosevic "shows intransigence and aggression", Nato would have "little option" but to strike at him and his military bases.

However, the US president appeared to give the Serbian side a few more days to consider accepting a Nato-led peacekeeping force in Kosovo, the key stumbling block for Belgrade. Referring to the Paris negotiations, Mr Clinton said he thought both sides "ought to be able to think this through a little bit – peace is better than war".

In letters to the foreign ministers of Britain, France and the US, Hasim Thaci, chief Albanian negotiator, conveyed his delegation's approval of the internationally arranged peace deal. But he said he would not actually sign until the Serbs did.

The Albanians had sought *a clear* promise of an independence referendum. But in accepting the draft peace deal, they have settled for "an international meeting" to be held after three years of autonomy "to determine a mechanism for a final solution to Kosovo on the basis of the will of the people" and other factors.

The aim of this week's Paris conference, chaired by France and Britain, is to obtain agreement on how to implement, through a peacekeeping force, the political power-sharing arrangement broadly agreed last month at Rambouillet, near Paris. International mediators said they would resist attempts to unpick the political agreement.

But Yugoslav and Serbian negotiators yesterday focused only on the political aspects of a peace deal, saying they wanted several changes to a document they did not regard as final. Asked about Albanian acceptance of the Rambouillet accord, Milan Milutinovic, president of Serbia, the larger of Yugoslavia's *two republics, retorted*: "What agreement? Such an agreement does not exist."

Mr Milutinovic claimed the Paris talks were "going on in a good atmosphere". But Hubert Védrine, the French foreign minister, said yesterday the Yugoslavs now had "their backs against the wall", and the Yugoslav government announced it was extending the military conscripts' service by 30 days in response to "threats of military intervention".

China's PM to go ahead with US visit despite spying claims

By James Kynge and James Harding in Beijing

Zhu Rongji, China's prime minister, yesterday underlined his resolve to go to the US next month for talks, in spite of what he acknowledged would be an "unfriendly atmosphere".

Charges that China stole nuclear secrets from the US and used them to develop small warheads that can hit multiple targets have soured US-China relations. Observers said the allegations might complicate the talks on China's bid to join the World Trade Organisation.

But Mr Zhu yesterday signalled his determination to get China into the WTO by promising to open the Chinese market further to foreign banks and telecoms companies.

He said China would make the "biggest concessions" possible to realise its goal of joining the global trading system. "I am very hopeful that an agreement can be reached [on WTO entry]," he said at a press conference ending the annual session of the National People's Congress, China's parliament.

Mr Zhu tempered his optimism, however, by saying that considerable gaps remained between the US and China on the terms of Beijing's entry. He appealed to the US to make concessions as well.

China was prepared to open its banking sector to foreign banks to do business in renminbi, the local currency, and to allow foreign investment in the local telecoms market, Mr Zhu said, although he did not provide details. Foreign banks are already permitted to conduct business in renminbi in two cities, and foreign telecoms companies have invested indirectly in the telecoms market.

Mr Zhu said he should still visit Washington, partly to defuse American anger. He dismissed the idea that China had stolen military secrets from the US as "like a tale from the Arabian nights". Stealing secrets from US laboratories, such as Los Alamos in New Mexico, was impossible because security was so tight, and unnecessary because Chinese scientists can develop technologies themselves, he said.

The allegations of Chinese espionage have prompted calls for a review of the Clinton administration's policy of engagement with *China. Plans for a US defence shield* in Asia have generated a similar sense of suspicion in Beijing. The Chinese leadership considers proposals for a theatre missile defence (TMD) system as an attempt to "contain" China.

On domestic challenges, Mr Zhu told reporters that in the last year he had been dissatisfied by not having "done a good job". But he was also frustrated by certain official departments and provincial authorities, which failed to implement government policy "to the letter".

China studies computer warfare, Page 4; Star Wars: the sequel, Page 16; Editorial Comment, Page 17

FINANCIAL TIMES

COMPANIES & MARKETS

© THE FINANCIAL TIMES LIMITED 1999 TUESDAY MARCH 16 1999 Week 11

INSIDE

Africa doubts modified food claims
Will genetic engineering ease hunger and poverty on the African continent? Solving such issues are high on the priority list for many African countries but claims from multinational corporations that genetically modified foods will help to feed the hungry have met a cool reception among African agriculturalists. Page 32

Skies darken over Mexican airlines

The skies are once again darkening above Mexico's two biggest airlines, Mexicana and Aeroméxico. Shrinking market share abroad, rising competition from US carriers and an investigation by the CFC, Mexico's anti-monopolies commission, are renewing concerns over the fate of Cintra, the holding company which manages the bulk of Mexico's aviation industry. Page 22

Banks find attraction in opposites
Until Sunday's announcement of the merger between Fleet Financial and BankBoston, the two institutions made little secret of their mutual dislike. Indeed, such animosity killed earlier merger talks. Now those differences are being touted as the cement that will hold the merger together. "Fleet and BankBoston are in many ways complementary," said Henrique Meirelles, president of BankBoston. Page 23

Japan's first securitised mortgage
Tokyo Sowa bank is to issue Japan's first residential mortgage-backed bonds. The bank expects foreign investors to buy around two-thirds of the issue, which will cover about a tenth of Tokyo Sowa's Y300bn (€2.3bn) portfolio of residential mortgages. Page 30

Ayala's X factor shocks the markets
For much of its 164-year history, Ayala Corp has been a flagbearer of standards of corporate governance in the Philippines and Asia. But its announcement last week of plans to issue a new form of limited voting rights shares called X shares, came as a shock to investors. Page 24

For Houston, BPAmoco is a problem
The success of creating BPAmoco, the world's third largest oil company, is predicated on securing efficiencies and cutting costs. But the implications of that rationale are obvious in Houston, home to Amoco's exploration and production headquarters. Page 22

Laughing all the way to the bank
Patty Wooten is a nurse-humourist and the "founder, owner and queen-of-all" of Jest for the Health of It, an educational consultancy for healthcare professionals. Ms Wooten belongs to the multi-million dollar therapeutic humour industry. Its size is surprising, considering the paucity of data to support its claims. Page 27

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MARKET STATISTICS

Veba sells stake in Cable and Wireless

Biggest single block trade in Europe shakes telecommunications sector

By Alan Cane in London and Ralph Atkins in Bonn

Veba, the German conglomerate, yesterday sold a 10.2 per cent stake in Cable and Wireless in the biggest single block trade carried out on the London or any continental European stock market.

The 246m shares were placed by ABN Amro and Cazenove, C&W's joint brokers, with institutional investors at 735p, raising £1.8bn. The price was at an 11.5 per cent discount to the UK telecommunications group's closing price on Friday of 830½p.

ABN Amro is understood to have paid 724.2p per share for the stake on Sunday night. Most of the stock was placed within two hours yesterday morning, making a £26m profit between ABN Amro and Cazenove.

The placing jolted the London stock market and dashed any hopes of the FTSE 100 extending its recent gains, which saw the index hit a record 6,365.4 last week in the aftermath of the Budget and a strong rise on Wall Street. A fall in telecoms shares accounted for 28 points out of the 75.4 decline in the FTSE 100, which closed at 6,206.8.

C&W's share price fell sharply on the deal, closing down 9.6 per cent at 751p. Veba's shares rose slightly to just over €52.

The investment bank N.M. Rothschild advised Veba on the sale. The German group turned a DM2.6bn book profit on its original DM2.5bn investment which it acquired in 1995 as part of a deal which would have seen C&W in partnership on mainland Europe.

The alliance was abruptly and acrimoniously aborted in 1997 after Richard Brown, C&W's chief executive at the time, became concerned about the costs of funding Veba's plans. Veba had said it would retain the C&W stake as an investment. It is understood the UK company was warned about Veba's decision to sell its holding.

Paul Sharma, telecoms analyst with brokers Henderson Crosthwaite, says C&W is now trading at a greater than 33 per cent discount to its value based on the sum of its constituent parts.

Rothschild yesterday defended the discount on the basis of the size of the deal. A recent and much smaller deal managed by Goldman Sachs on behalf of the mobile operator Orange Communications had commanded a discount of just over 9 per cent, Rothschild argued.

Veba, which also has significant interests in energy and chemicals, said the sale of the C&W stake was consistent with its strategy of disposing of non-essential shareholdings.

The decision to sell the stake in one chunk reflected its view that a phased sale would have resulted in a lower price overall. Veba would not say if it had attempted to sell the stake to another strategic investor. It said the more than DM2.6bn paper gain on the disposal reflected the investment's "positive developments".

Lex, Page 18
Telecoms sector falls, Page 38

DuPont plans to set aside $500m for research

By Nikki Tait in Chicago

DuPont, the US chemicals and life sciences group, plans to devote more than $500m to agricultural-based research and development in the first year after its acquisition of Pioneer Hi-Bred, the Iowa-based seed company, with sums forecast to increase in following years.

The companies yesterday formally announced agreement for DuPont to buy out the 80 per cent of Pioneer, which it does not already own, for $7.7bn after disclosing that they were in talks last Friday.

The companies cited the rapid pace of change in the agricultural biotechnology area – and the need for "critical mass" to match aggressive competitors – as the main reasons for the transaction.

The cash and stock deal, worth $40 per Pioneer share, will be earnings-dilutive for the bigger group, but was still greeted warmly by Wall Street analysts, who saw it as evidence of DuPont's determination to expand its life sciences interests following the spin-off of its Conoco energy unit.

Shares in Pioneer, the largest seed corn supplier in the US, rose $3¼ to $37½ yesterday, having increased by about $9 on Friday. Meanwhile, DuPont shares eased 1\frac{13}{16}$ to 56\frac{7}{16}$.

"Speed, speed, speed," said Charles Holliday, DuPont's chairman, when asked what had changed since August 1997, when his group took a 20 per cent stake in Pioneer for $1.7bn. At that stage, the two companies seemed to indicate a minority stake would be the extent of the relationship.

But yesterday Mr Holliday said the rate at which agricultural biotech was developing was "unbelievable". "As one unit, you can make decisions in seconds," he said. Charles Johnson, chairman of Pioneer, which will retain its Des Moines headquarters and separate identity, suggested that the "critical mass" required to compete successfully in this area had increased, encouraging Pioneer to contemplate an all-out merger.

While the deal gives DuPont a much stronger footing in life sciences, it will come at the cost of an estimated 7 per cent dilution in earnings per share in the first year after the merger.

Patrick Ponsolle: 'Even if our recovery is progressing well, it is still far from complete'

Eurotunnel operating profits treble to £184m

By Charles Batchelor, Transport Correspondent

Eurotunnel, operator of the Channel tunnel, trebled its operating profits from £57m to £184m ($300m) in 1998, comfortably exceeding the forecast of £151m made at the time of its financial restructuring in 1997.

It plans to offer shareholders the opportunity to redeem early up to £936m of equity notes – issued as part of the restructuring – in a move intended to reduce the level of charges for debt.

Eurotunnel's shares rose 3p yesterday to a new 1998-99 high of 101½p following their 11p rise on Friday.

Patrick Ponsolle, executive chairman, said: "We must however recognise that even if our recovery is progressing well, it is still far from complete."

In the current year Eurotunnel expects operating profit to exceed £200m. This is the figure contained its 1997 restructuring prospectus adjusted for subsequent movements in the French franc/sterling exchange rate.

The company reported its first pre-tax profit – of £64m – but this was largely the result of adding back interest savings of £279m made during the restructuring. Before this exceptional contribution, the underlying loss was £215m, though this was an improvement of £396m on the previous year's loss.

Turnover rose 26 per cent to £666m (£529m) with the main contribution coming from its freight and passenger shuttle train service, which increased turnover by 87 per cent to £210m.

If duty-free sales are abolished in July as planned, Eurotunnel's profits will be hit and ticket prices will have to be increased. But the company believes the unfavourable effect will be limited because prices are still about 30 per cent lower than in 1994, when the tunnel opened.

Mr Ponsolle said Eurotunnel would watch very closely to see if the French or British governments gave any discriminatory state aid to the ferry companies to compensate them for the loss of duty-free business.

The company plans to redeem the equity notes that are currently trading at a significant discount in the secondary debt market at a rate of 1.3 notes for every one share unit.

Mr Ponsolle said he expected between 20 and 50 per cent of the notes to be redeemed. If 25 per cent of the notes were exchanged this would mean a saving on interest charges £49m and a 27 per cent reduction in debt. If all the notes were exchanged this would lead to the issue of new shares equal to 29.4 per cent of existing capital.

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Kuoni Reisen to merge with First Choice

By Charles Pretzlik in London and William Hall in Zurich

Kuoni Reisen of Switzerland and First Choice, one of the UK's largest tour operators, yesterday agreed a nil-premium merger to create a travel group with a market capitalisation of about £1.5bn ($2.4bn).

The new company, Kuoni Holdings, will be one of the five largest European travel groups, serving over 7m customers a year through sales operations in 20 countries. Its headquarters will be in Crawley near London, and it will have a primary listing on the London Stock Exchange, with a secondary listing in Zurich.

The deal represents the latest move in the consolidation of the European travel industry, which saw Preussag, the German industrial group, buy control of Thomas Cook, the UK travel agent, in December.

The merger would confirm First Choice's position as number three in the UK holiday market with a 17 per cent share, behind Thomson Travel and Airtours.

Kuoni shareholders will have 53 per cent of the enlarged group with First Choice shareholders taking 47 per cent. Under the proposal, investors receive one share in the new group for each First Choice share and 1482.724 shares in the new group for every Kuoni share. Credit Suisse First Boston is advising Kuoni and Lazard Brothers is advising First Choice.

"There was some disappointment that there was no take-out premium for First Choice," said Bruce Jones, an analyst at Merrill Lynch.

First Choice shares fell 14½p to 173p as prospects faded of a rival bidder emerging. Ian Clubb, chairman of First Choice and chairman designate of the enlarged group, said there had been other approaches but only Kuoni had made an offer.

Mr Clubb said: "This merger takes us across Europe in one step and provides extremely exciting prospects for good long term growth." He said it would enable both parties to use aircraft capacity better.

However, one analyst said: "It looks like a defensive merger of two mid-sized companies who don't want to get swallowed up by one of the bigger boys."

Kuoni's shares have fallen by 7 per cent since merger talks were announced last week and closed unchanged at SFr5,500 yesterday.

Analysts said the combined group could itself become a bid target. Simon Marshall-Lockyer at BT Alex.Brown said one of the prices Kuoni had to pay to do the deal was to open up its own share structure, which had protected it in the past.

The new group's 14-strong board will have a balance of executives from each party. Kuoni's chairman, Daniel Affolter, will become deputy chairman, and its chief executive, Riccardo Gullotti, will retain his title. First Choice's managing director, Peter Long, will run the UK operations.

Fuji and Sumitomo banks to cut cross-shareholdings

By Gillian Tett and Naoko Nakamae in Tokyo

Two of Japan's largest banks are planning to sell some of their huge shareholdings in related companies as part of the country's long-awaited financial reforms.

Fuji said it would unwind Y1,000bn of its Y3,200bn ($26.8bn) cross-shareholdings over the next five to six years. Yoshiro Yamamoto, president, said the bank did not have strong ties to these companies, and would be aiming to sell some Y200bn a year.

Sumitomo, which has comparable shareholdings, said it would sell its shares at a rate of Y100bn a year.

The sales are tiny compared with overall cross-shareholdings held between banks and their clients, which some estimates suggest account for more than a third of the total stock market, although this has recently declined.

However, the sales will almost certainly be matched by other banks, as they start to restructure in exchange for receiving public funds. Some government officials fear that the unwinding trend could dent the Japanese stock market if it gains pace.

In the past two weeks the Nikkei 225, the key stock market indicator, has risen 12 per cent due to large purchases by foreign investors. This foreign buying has also prompted heavy domestic selling, as companies, including banks, try to unwind cross-shareholdings ahead of the end of the 1998 fiscal year.

The impact of these sales on banks' capital bases will not become clear until they report their results for 1998.

With the Nikkei at its current level, several banks are believed to be holding large latent losses on their equity portfolios.

The government is trying to offset these losses by injecting Y7,450bn into the 15 large banks' capital bases by the end of the fiscal year on March 31, in exchange for restructuring.

However, many analysts believe this will not be enough to meet the scale of bad loans and latent equity losses.

The Bank of Japan, the central bank, recently agreed to extend some Y4,000bn of temporary loans to the Deposit Insurance Corporation, the government body funding bank reform.

However, Masaru Hayami, Bank governor, yesterday warned that the DIC would need to repay the Bank's loans soon.

BANKING INTEGRATION OF INVESTMENT OPERATIONS WOULD COST MORE THAN IT WOULD SAVE

BNP makes pledge on Paribas

By George Graham, Banking Editor

Paribas's investment banking operations would remain autonomous if Banque Nationale de Paris were to succeed in its double bid for the company and Société Générale.

Baudouin Prot, BNP chief operating officer, said yesterday that folding Paribas into the corporate banking activities of BNP and Société Générale would cost more in the loss of staff and client revenues than it would gain in cost savings. Although Paribas's returns are inadequate, he said, it would be left to develop its own strategic plan to bring its profitability up to acceptable levels.

The idea of remaining independent has a certain attraction to some Paribas investment bankers who were anxious about the prospects of coming under the iron rule of Patrick Duverger, who heads investment banking at SG and would run the division at a combined SG Paribas.

But André Lévy-Lang, Paribas chairman, said the idea of keeping Paribas and SG-BNP as competing investment banking divisions was untenable. "This would cause a conflict of interest problem, increase the risk factor and fail to create what SG Paribas set out to do – that is, to create a strong international player in investment banking," Mr Lévy-Lang said.

Paribas advisers say the combination of SG and Paribas in investment banking would, in fact, entail few of the overlaps BNP claims. While SG is strongest in derivatives, including equity derivatives, Paribas is focused essentially on advisory, fixed income and cash equities. Their client lists, too, are very different.

The BNP plan would leave Paribas to concentrate on capital markets and specialised financing, with a heavy emphasis on the energy, media and telecommunications sectors in which it is already strong.

Paribas's management would be required to produce a plan showing how they would improve return on equity in their business to 19 per cent by 2002.

Mr Prot insisted that BNP did not plan to sell Paribas if it succeeded in both of its bids, but acknowledged that the central plank of the scheme was the bringing together of the BNP and SG retail and corporate banking operations.

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Approach speeds up SocGen merger plans

By Samer Iskandar in Paris and George Graham in London

Société Générale and Paribas, the French banks that agreed to merge last month, are speeding up the integration of their operations, ignoring the threat of the unsolicited takeover offers on them by rival Banque Nationale de Paris.

In their first news conference since BNP's offers were announced last week, Daniel Bouton, SocGen chairman, and André Lévy-Lang, head of Paribas, said they were more than doubling the number of project teams working on bringing the two banks together. The teams will be boosted from 140 to 310.

The boards of SocGen and Paribas last month approved a friendly merger between the two, to create SG Paribas, one of Europe's largest banks. However, their plan was threatened last week by a surprise offer from BNP to merge the three to create the world's largest bank with assets of $1,000bn.

Mr Bouton and Mr Lévy-Lang again rejected assurances by Michel Pébereau, BNP chairman, that his offer was friendly and ruled out meeting Mr Pébereau.

"We are not going to hold discussions while there is an ongoing hostile bid," said Mr Lévy-Lang.

SocGen and Paribas also rejected Mr Pébereau's assurances that his plan – temporarily named SBP after the three banks' initials – would achieve synergies of €1.3bn ($1.4bn) by 2002 without job cuts.

BNP claims that the three banks' headcount is falling by up to 1,500 a year through natural wastage (voluntary leaving and retirements). Further cost cuts would result from an expected acceleration in retirements.

Referring to the branch networks of BNP and SocGen, Mr Bouton said: "Mr Pébereau says that by combining SocGen's network, which has return on equity of 15 per cent, and BNP's network, with return on equity of 12 per cent, he can end up with a network achieving 18 per cent [ROE]."

BNP executives rejected claims that their plans would inevitably mean branch closures and sweeping job cuts.

Baudouin Prot, chief operating officer, said the bank had cut costs by 5 per cent between 1993 and 1997 while opening new branches.

With the number of retirements set to accelerate in both BNP and SG, BNP claims it could achieve annual cost savings of €360m in domestic retail banking, with a further €200m of annual savings within reach in later years.

Sign of times: BNP rejects claims that branches would close AP

Olivetti to unveil Telecom Italia strategy

By Paul Betts in Milan

Olivetti, the Italian telecommunications company that has launched a hostile bid for Telecom Italia, yesterday confirmed its chief executive would make presentations to the Milan investment community tomorrow before taking his case to London on Thursday.

Roberto Colaninno's long awaited presentations come a week after Telecom Italia announced a formidable package of measures designed to fend off Olivetti's hostile €53bn bid. They mark the latest stage in what is turning into an increasingly acrimonious takeover battle and a personal confrontation between Franco Bernabe, Telecom Italia chief executive, and Mr Colaninno.

Mr Colaninno is expected to unveil a business strategy for Telecom Italia radically different to Mr Bernabe's in a number of key points.

While a central component of Mr Bernabe's strategy is to merge Telecom Italia with its 60 per cent owned Telecom Italia Mobile cellular telephone unit, Mr Colaninno is understood to consider such a merger undesirable.

He believes a merger would constitute a waste of money and would not be necessary for the future success of mobile and fixed line businesses.

A commercial integration of Telecom Italia's and TIM's services could be achieved without the merger of the two companies in much the same way as Olivetti has done with its Omnitel mobile unit and its Infostrada fixed-line venture.

Mr Colaninno has already suggested he would retain control of TIM if his bid was successful but that did not mean he would have to retain Telecom Italia's existing 60 per cent to maintain control.

A sale of part of this stake would clearly help Olivetti reduce debt incurred through its highly leveraged bid, analysts said yesterday.

Another difference in the two contenders' strategic approach is Mr Colaninno's proposal to reassess Telecom Italia's industrial and information technology businesses. Mr Bernabe last week announced he planned to shed a series of non strategic assets such as Telecom Italia's 50 per cent stake in Italtel, the telecommunications equipment maker, and Sirti, the engineering and systems group.

Rather than disposing of these units immediately, Mr Colaninno wants to re-assess their operations, creating greater value before eventually selling them.

Debitel may be valued at €3bn

By Vincent Boland

Debitel, Germany's third biggest telecommunications group, could be valued at up to €3bn ($3.3bn) when it lists on the Frankfurt stock exchange on March 29 in what is likely to be one of the biggest European initial public offerings this year.

The company is a joint venture between DaimlerChrysler, the car group, and Metro, the retailing giant. Debitel said yesterday that nearly 20.5m of its shares, representing a stake of about 23 per cent – including an extra tranche of shares to meet demand – would be offered to investors.

The company yesterday set a price range of between €29 and €34 a share, valuing the stake at up to €696m, ahead of the setting of the final price before trading starts.

Debitel is the latest and biggest in a line of German telecoms and high technology groups to seek stock market listings. It is, however, a relatively rare issue on the main market.

Most German IPOs are smaller companies that choose the Neuer Markt, which specialises in growth companies. It has fuelled huge demand among retail investors in particular for German internet and high-tech stocks, even though the Dax index of top German stocks has been relatively disappointing in recent months.

Debitel is also one of the few German IPOs in which US banks have the main underwriting roles. Goldman Sachs and J.P. Morgan are joint lead managers and global co-ordinators for the issue. Deutsche Bank is the senior German bank in the syndicate, co-ordinating the offering to domestic retail investors as senior co-lead manager.

About half the stake in Debitel on offer in the IPO is being sold by Debis, the financial services arm of DaimlerChrysler. It is cutting its holding from 52.44 per cent to 41 per cent. Metro is reducing its stake from 35.51 per cent to 26.55 per cent. Further shares are being offered by Divaco, a joint venture between Metro and Deutsche Bank, which is cutting its stake from 10 per cent to 7.5 per cent.

NEWS DIGEST

TOBACCO

Spain's Tabacalera unveils move to diversify

Tabacalera, Spain's dominant tobacco producer, yesterday unveiled bold diversification plans that include taking a big stake in Iberia, the national airline, the creation of a large logistics subsidiary and a possible merger with Seita, France's tobacco company. Cesar Alierta, Tabacalera chairman, said he was interested in acquiring up to 8 per cent of Iberia to become one of the carrier's core shareholders when it is privatised later this year.

The government, which has put a reference value of Pta580bn (€3.48bn, $3.81bn) on Iberia, wants to place 30 per cent of the airline with domestic companies before a market disposal of about 55 per cent of its equity. A stake in Iberia makes strategic sense for Tabacalera since it has interests in duty-free shops.

Mr Alierta announced the absorption by Logista, a distribution company which was spun off from the group's core tobacco interests in February, of Midesa, a leading books and press distributor 24 per cent owned by Tabacalera. **Tom Burns, Madrid**

TYREMAKERS

Michelin profits down 10%

Michelin, the French tyremaker, yesterday reported a near 10 per cent downturn from FFr3.88bn (€591.5m, $640m) to FFr3.51bn in annual net attributable profit, in spite of an improved second-half performance. The company said higher sales and firm prices had helped its operating margin to rise to 9 per cent in the second half against 8.2 per cent in the first. The full-year result was achieved on sales up from FFr79.7bn to FFr81.9bn. The company has set a target of at least 4 per cent growth in sales volumes in 1999 to come from an improved share of the replacement market. **David Owen, Paris**

ELEVATORS

Schindler raises dividend

Schindler, the world's second biggest maker of elevators, is increasing its dividend by 50 per cent, to SFr45 a share. The group increased its dividend in 1998 by 7 per cent – its first increase in four years – and had already announced plans to buy back up to 6 per cent of its shares. Operating profits in 1998 rose 12 per cent to SFr261.4m ($178.91m) and revenues rose 6 per cent to SFr6.6bn. Revenues in escalators and elevators rose 3 per cent to SFr5.3bn with "encouraging growth" in North America offsetting "market setbacks" in Brazil, south-east Asia and Japan. Schindler maintained its market position but warned the advent of the euro was increasing pressure on prices, but forecast a "slight increase" in net profits in the current year. **William Hall, Zurich**

BANKING

EFG Eurobank plans sell-off

EFG Eurobank, the Greek bank controlled by the London-based Latsis oil and shipping group, is expected to launch a Dr99.8bn ($339m) public offering today following a merger with its subsidiary, Bank of Athens, which is already listed on the Athens stock exchange. Eurobank, the only retail bank in the Latsis chain, is the frontrunner to buy a majority stake in Ionian Bank, which is being offered for sale later this month under the government's privatisation programme.

Eurobank's offering of 11.75m shares priced at Dr8,500 each amounts to 10.6 per cent of the bank's equity following the merger. About 70 per cent of the offering will be sold to retail investors. **Kerin Hope, Athens**

Roche to seek FDA approval for flu drug

By David Pilling, Pharmaceuticals Correspondent

Roche, the Swiss drugs company, hopes to file an influenza drug with the US Food and Drug Administration "imminently" in an effort to win approval before the winter flu season.

The drug acts in the same way as Glaxo's Relenza, a flu product that was rejected by the FDA earlier this month.

Roche comes in tablet form – as opposed to Glaxo's inhaled spray – and the Swiss company's executives said they were debating a brand name that reflected this "advantage".

The Roche and Glaxo drugs are neuraminidase inhibitors that block the transmission of disease from cell to cell.

An FDA advisory committee rejected Relenza because the US trial was not as clear-cut as a European trial in demonstrating the drug's ability to shorten the duration of flu.

The committee questioned some of the end-points – the clinical signs measured to test a drug's efficacy – of the trial. Glaxo is lobbying the FDA to try to get the decision overturned.

Roche executives said they were confident that the US and European branches of their clinical trials demonstrated efficacy.

Before Relenza was rejected, analysts had been forecasting peak sales for Roche's product of up to SFr1bn ($684m).

Glaxo developed Relenza with Biota, an Australian biotechnology company, while Roche licensed its product from Gilead, a US biotech.

Roche is also hoping for FDA approval by mid-year of Xenical, an anti-obesity drug already launched in parts of Europe. The FDA had asked for further data on the drug, which helps reduce weight by 10 per cent in conjunction with a diet, after concern about possible carcinogenic effects.

Roche, which was forced to withdraw two drugs last year after adverse reactions among some patients, says it has "clean" data for Xenical. It attributes the FDA's earlier concern to a "statistical freak". An FDA rejection of either the flu drug or Xenical would come as a severe blow.

Sales of Xenical in the US will depend heavily on the FDA label. If no mention of side-effects is made, Roche is likely to promote the drug heavily through direct-to-consumer advertising, a practice that is legal in the US.

Sales will also be affected by the policy of health maintenance organisations in reimbursing the drug. In Europe, governments have agreed to pay for it, but Roche executives believe the attitude could change if sales rise significantly. Roche executives have been cautious about predicting blockbuster status for Xenical. But several analysts estimate the drug could reach peak sales above $1bn.

Telekom set to slash call prices

By Ralph Atkins in Bonn

Deutsche Telekom, Europe's largest telecommunications group, is preparing to cut by up to 50 per cent or more the cost of many international calls in the latest round of a price war that follows the liberalisation of the country's telecoms market last year.

Ron Sommer, chairman, said yesterday that the group was also considering simplifying its international tariff structure. A single tariff rate of 48 pfennings a minute would apply 24 hours a day to European Union countries, as well as Poland, the Czech republic and Hungary.

However, it is expected that Mr Sommer will confirm today that the new rate structure will also apply to the US and Canada.

The latest cuts highlight the aggressive stance Deutsche Telekom has taken in the face of fierce competition from rivals that have grown rapidly since public voice services were fully liberalised. It is likely to add to fears that Deutsche Telekom's profits will be further eroded.

In January, Deutsche Telekom cut its long-distance prices by up to 62 per cent. Its T-Mobil mobile telephony subsidiary has also reduced prices considerably.

The Bonn-based telecoms regulator is due to announce today whether it will approval Deutsche Telekom's plans to introduce from April 1 a rate of just 6 pfennigs a minute for long-distance calls between 9pm and 6am; local calls during the same hours would cost 3 pfennigs.

Mr Sommer would not give details yesterday about the average impact of the planned cut in overseas call prices, which are all subject to regulatory approval.

But the 48 pfennigs a minute rate compares with 84 pfennigs currently charged for calls to the UK and France during working hours.

For Hungary, the cost would drop from DM1.08.

BASF says flat sales will hit profits

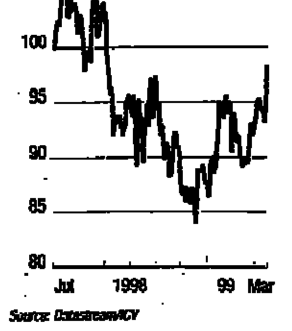
By Uta Harnischfeger in Frankfurt

BASF, the German chemicals group, yesterday deepened the gloom for the industry when it forecast lower 1999 profits on flat sales due mainly to declining base chemical and oil prices.

But it pledged to focus increasingly on more profitable life sciences sectors to counter falling margins in its chemicals and oil sector, to grow in Asia in the long term and to cut costs by DM900m (€460m, $503m) by next year.

Core earnings data published earlier this month by Germany's big three chemicals and pharmaceuticals makers confirmed 1998 sales had been falling, although profits had still risen in 1998. Being an oil producer, massive price declines in raw oil also hit BASF.

BASF
Share price relative to the European Chemicals Index



Source: Datastream/ICV

The final quarter was particularly bad, and declining oil, gas and chemicals prices caused BASF's sales to fall 11 per cent and operating profit to fall 30 per cent.

Given the dire state of its cyclical business – chemical sales fell 15 per cent in the fourth quarter – BASF said it would continue to shift its portfolio toward life sciences. In the fourth quarter sales and operating profit in its health and nutrition business rose 11 and 10 per cent respectively.

Products in BASF's pharmaceuticals pipeline close to being launched have a combined annual sales potential of DM2.5bn and its new obesity drug Meridia, which had DM275m in sales in its first year in 1998, advanced to become BASF's fourth-best selling drug.

But BASF also signalled a desire to expand in the area of specialty chemicals. Jürgen Strube, chairman, said he would be interested in buying parts of Zeneca's specialty chemicals activities, but not the whole package. He declined interest in Union Carbide.

BASF said yesterday it planned to generate 20 per cent of its sales in Asia by the year 2010. After focusing on Korea last year, it foresees some large acquisitions in Japan.

Mr Strube said the restructuring of Japan's chemicals industry would allow BASF to expand its own activities as well as look into "some large acquisitions".

"BASF Japan is preparing itself for such steps," he said.

BASF reiterated its opposition to the German government's tax reform plans. On the first stage of the reform, expected to pass the upper house on Friday, Mr Strube said he hoped the new finance minister, Hans Eichel, and chancellor Gerhard Schröder would quickly implement investor and business-friendly changes after its approval.

هكذا من الأصل

WE LOVE TECHNOLOGY. It's new and it's shiny and it inspires a certain awe, like the Great Pyramid of Cheops or a tiny new human being. Technology is good at the heavy lifting. People are good at the heavy thinking. Bits and bytes and ones and zeroes fly around the planet, but only at our discretion. The computer has a role model, and it is us. Computers are plastic and metal and sand. People are brilliance and discernment and vision. Admire machines. Worship their inventors.

HUMAN ACHIEVEMENT Merrill Lynch

RADIO GROUP ABANDONS HUNT FOR BUYER AND CALLS OFF PURCHASE OF LIN BROADCASTING

Chancellor Media puts own house in order

By Richard Waters in New York

Chancellor Media, soon to become the biggest radio station group in the US, yesterday exercised a strategic about-turn as it abandoned its hunt for a potential acquirer, called off its own acquisition of Lin Broadcasting and announced a management reshuffle.

Under Thomas Hicks, chairman, whose buy-out firm, Hicks Muse Tate & Furst, holds a 25 per cent stake, Chancellor set out two months ago to find a way to lift its lacklustre share price. Despite a strong financial performance last year, Chancellor's stock market valuation has lagged behind its leading rivals, including Infinity, the radio station and outdoor advertising company given a separate stock market listing by parent CBS in December.

Mr Hicks said yesterday that the company had talked to "a number of potential partners" during its review, including some which "may want to propose a strategic transaction in future". He added, though, that Chancellor believed it could do best at this stage by cutting its costs, refocusing on its radio and outdoor advertising interests and abandoning its plans to get into television through the Lin purchase.

The company had argued that, by buying Lin, it would be in a position to sell advertisers a complete package of radio, television and billboard outlets. The change of heart now in part reflected "the preference expressed by a number of investors", Chancellor added.

The company said, though, that it would press ahead with its acquisition of Capstar, another radio station group partly owned by Hicks Muse.

That deal will leave Chancellor with 469 radio stations that between them generated revenues of $2.1bn last year, topping Infinity as the largest owner of stations.

As part of the about-turn, Hicks Muse said it would invest another $500m in the group, leaving it with a 29 per cent stake after the Capstar merger has been completed.

Mr Hicks also said he was to take over the reins as chief executive, though he paid tribute to Jeffrey Marcus, the current chief executive, who will stay on the company's board.

Among other changes, Chancellor said it had grouped its radio and billboard operations into a separate unit, and that a second unit had been set up to provide media services and pursue ideas to boost the group's presence on the internet.

Houston hit by BP Amoco merger fallout

By Hillary Durgin in Houston

There's a joke doing the rounds in Houston that, for some oil industry workers, cuts to the heart of the mega-merger between BP and Amoco.

"How do you pronounce BP Amoco?"

"BP. The Amoco is silent."

For a few Amoco employees, the refuge in gallows humour goes beyond the witty one-liner. A geologist showed up for his last day of work in a tuxedo and top hat when the newly merged company axed about 1,500 jobs at Amoco's Houston operations.

The success of creating the world's third largest oil company is predicated on cutting costs. The effects are obvious in Houston, where Amoco had based its worldwide exploration and production headquarters in a sleek, black tower that symbolically overshadowed BP's nearby regional operations building.

The centre of power has now shifted from the US to London, where BP has its headquarters.

Houston, whose fortunes are tied more closely to the oil industry than any other place in the country, has been a centre of intense activity recently.

After the merger was announced on August 11, the new company selected its top managers, cleared regulatory hurdles and closed the deal in just 99 business days.

Company executives acknowledge that since the job losses started on January 26 morale is under strain, as they finalise a big relocation of remaining employees.

Over three consecutive weekends this month, employees will be moving from offices in Houston, Denver and New Orleans into the former Amoco tower west of downtown Houston. Jobs moving to Houston, however, are only a fraction of what the city has lost through the merger.

Some outsiders worry that the cuts are so deep that BP Amoco might sacrifice the technical and other talent it needs to realise its vision for longer-term growth.

"To me the real tragedy of this merger is they will lose what they bought," says Amy Jaffe, energy analyst with the James A. Baker III Institute for Public Policy at Rice University.

A BP Amoco executive said employees were told that the job cuts were more of a numbers game than anything else. "It's not about quality, it's about quantity," he said of the criteria for employment cuts. "It's about positioning yourself to be a viable entity in an $11 [per barrel] world."

But some industry specialists suggest that BP Amoco will fare better than its peers in a future of leaner operations and streamlined technical staff.

On top of the 10,000 job cuts that are part of an annual $2bn in targeted savings, the company has lost several key Amoco executives in recent weeks.

The restructuring at BP Amoco could be a symbol of the long-term implications of low oil prices. In Houston, there are widespread fears that the many thousands of oil workers who have lost jobs may never return to the industry or the city.

Troubles at Shell Oil, the Royal Dutch/Shell subsidiary, which are prompting it to sell properties and merge Gulf of Mexico operations, are triggering a round of job cuts expected to total 925 in Houston and New Orleans.

Such cutbacks highlight the fact that it is feast or famine in the oil industry, says Carol Freedenthal, a Houston-based energy consultant. The danger, he notes, is the assumption that when oil prices rebound, companies will be able to hire people back.

"You can't just hire and fire continually and hope to keep a good staff," he says.

Mexico's airline alliance faces an uncertain future

Monopolies probe has renewed concerns over Cintra, writes **Andrea Mandel-Campbell**

The skies are once again darkening above Mexico's two big airlines, Mexicana and Aeroméxico.

Shrinking market share abroad, rising competition from US carriers and an investigation launched last month by the CFC, Mexico's anti-monopolies commission, into predatory practices by the two airlines are renewing concerns over the fate of Cintra, the holding company that manages the bulk of Mexico's aviation industry.

The CFC wants to dissolve the monopolistic holding, which was created in 1995 as a temporary measure to restructure the bankrupt airlines, but faces opposition from the rest of the government and bankers wanting to keep Cintra together at all costs.

The CFC alleges that the holding's domestic supremacy has led to claims by competing airlines, travel agents and even pilots of monopolistic practices. Cintra's airlines control three quarters of the domestic market, including 80 per cent of traffic in Mexico's top 50 markets.

Some analysts say the company has openly flouted the terms under which it was created. While Cintra has been allowed to take advantage of synergies – such as economies of scale in the purchase of equipment – the commercial operations of the different airlines should have remained separate.

Fares have risen significantly since the holding was created, including mark-ups of up to 92 per cent on some routes. And despite a 30 per cent government subsidy on

'It would be criminal to separate them because they cannot compete in the major market, which is the US, against US carriers'

the price of jet fuel, Aerome'xico and Mexicana announced last November a reduction in travel agency commissions from 10 to 7 per cent.

This prompted the CFC to immediately step in with charges of collusion.

As far as the CFC is concerned, competition is the best thing that could happen to the aviation industry. By separating the airlines and allowing them to forge individual global alliances, says Manuel Sandoval of the CFC, the number of tourists brought into Mexico would increase significantly and further boost the country's $8bn industry.

But others argue that splitting up the airlines would only make it easier for US carriers to creep into the Mexican, and eventually South American, market. Further, without a flagship carrier Mexican airlines will find it hard to push into the international arena.

"Separate the airlines are weak, but together they are a reasonably strong player," says Robert Booth, a Miami-based aviation analyst. "It would be criminal to separate them because they cannot compete in the major market, which is the US, against US carriers."

Mexicana and Aerome'xico have watched their share of the international market drop from nearly half of overseas flights in 1990 to one-third now, mostly at the hand of their US counterparts.

It is a trend that is expected to continue with a new code-sharing agreement signed between the US and Mexico in February, which is expected to increase the number of code-shared flights from 100 to 5,000.

But with a Cintra fleet of just 153 planes, the bulk of the new service is expected to be picked up by US carriers like Delta and United Airlines, which enjoy code-sharing agreements with Aeroméxico and Mexicana respectively.

There is nothing that Cintra management would like more than to become Mexico's flagship carrier. It wants to increase code sharing between its two big airlines and their US partners, says Jose' Robles of Cintra. It is in negotiations on behalf of Mexicana to join the Star Alliance, led by United and Germany's Lufthansa, but is being held up by Cintra's ambiguous future.

It is still unclear when or how the Mexican government will unload the 16 per cent stake it owns in Cintra.

Offering the two airlines as a package will not only ensure the government can recoup its investment, but will increase their ability to compete abroad and help stave off US carriers encroaching on the Mexican market, says Mr Booth.

But whether it is more advantageous to sell Cintra as a package or as separate airlines, a major factor has been left out of the calculations, says Mr Sandoval.

Monopolies are prohibited under Mexican law – a law for which the CFC was created in 1993 to protect.

Mexicana and Aeroméxico control three-quarters of the domestic market Picture: AP

COMPANIES & FINANCE: THE AMERICAS

INSURANCE CODE OF CONDUCT REVEALING BROKER REMUNERATION TO BE INTRODUCED INITIALLY AT UK ARM

Aon set to disclose fees and commissions

By Andrew Bolger, Insurance Correspondent

Aon, the world's second largest commercial insurance brokerage, is introducing a code of conduct that will disclose to clients the levels of fees and commissions it receives.

Brokers have come under fire from buyers of commercial insurance for taking tens of millions of dollars in fees and incentives from insurance underwriters in addition to the payments they receive from clients, whose interests they are supposed to represent.

It was felt the practice of "double-dipping" – whereby a broker might receive an incentive payment from the insurer, plus a fee from the insurance buyer – called into question the principle that customers should receive "best advice" and raised doubts over conflict of interest.

The code has initially been adopted by Aon Risk Services UK, the Chicago-based group's British arm, but Aon said it was a basic contract that would eventually be adopted by the group worldwide.

The code was drafted with the assistance of the Association of Insurance and Risk Managers (Airmic), the UK organisation whose members control risk premium well in excess of £1bn. Airmic has been expressing concern over the lack of transparency in broker remuneration for more than a year.

"We are delighted that Aon has recognised the genuine concern of risk managers by adopting this code," said David Gamble, executive director of Airmic.

"The code is a positive, tangible initiative which we hope other brokers will adopt or emulate."

Ron Forrest, chairman of Aon Risk Services UK, said: "Transparency is crucial to a successful working partnership between broker and client. The code clearly addresses all the key issues and clarifies the core principles required to ensure mutually high professional standards."

Marsh & McLennan, the world's biggest commercial insurance broker, recently agreed to disclose contingent commission revenue when requested by its clients.

The new procedure was agreed in consultation with Airmic's US counterpart, the Risk & Insurance Management Society.

Recent acquisitions mean the global broking industry is now dominated by Marsh & McLennan and Aon, and both groups are clearly anxious to avoid criticism from regulators.

Last year the New York State Insurance Department said lack of transparency over broker remuneration could be construed as a violation of the state's insurance law.

United earnings estimate lifts rivals

By Andrew Edgecliffe-Johnson

United Airlines gave its own shares and those of rival US carriers a lift yesterday with news that it expects first-quarter earnings to be 20 per cent above Wall Street estimates.

The largest US airline said it expected a reversal of the decline in domestic revenues, which began in the fourth quarter of 1998 and continued into the early months of 1999.

"The company believes these trends could in part result from the dissipation of general economic uncertainty and improvements in the industry pricing environment," it said.

It added that its first-quarter results would show the benefit of American Airlines' pilots strike last month, when other carriers picked up passengers who had been stranded by the dispute.

The group, which is 55 per cent owned by its employees, had no comment on industry rumours that the shortlist for a successor to chief executive Gerald Greenwald has come down to Jim Goodwin, UAL president responsible for North America, and Lou Hughes, General Motors executive vice president for new business strategies.

UAL's stock rose 4\frac{11}{16}$ to $72 yesterday morning. Its predictions of a strong domestic performance lifted the stock of Trans World Airlines and AMR Corporation, parent of American Airlines, by more than 5 per cent.

Last week UAL led the industry in raising leisure fares by 3 per cent and business fares by 1 per cent.

UAL now expects first-quarter earnings of $1.35, compared with a Wall Street consensus figure of $1.12. For the full year, it reiterated its earnings per share forecast of $10 to $12, and a goal of $11, which compare with analysts' expectations of $9.12.

BankBoston and Fleet see virtue in difference

By Victoria Griffith in Boston

Until Sunday's merger announcement between Fleet Financial and BankBoston, the two institutions made little secret of their dislike for each other.

Senior executives at both banks gazed from their windows at their nemesis across the street and talked about their differences.

BankBoston's emerging markets presence made its operations too risky, said Fleet. BankBoston viewed Fleet as an upstart with no sense of tradition. Indeed, such animosities killed earlier merger talks between the two.

Yet differences between the banks are now being touted as the cement that will hold the merger together.

"Fleet and BankBoston are in many ways complementary," Henrique Meirelles, president of BankBoston, told the Financial Times. "BankBoston has a strong presence in industries like high-tech. We are stronger in Massachusetts, and they are stronger in Rhode Island and the metro area of New York."

One can view the acquisition of BankBoston as the failure of a bank that has struggled for years to stay independent. In the early 1990s, BankBoston rebuffed overtures by Banc One, Mellon Bank, NationsBank, BankAmerica and First Union.

Two factors finally broke BankBoston's resolve. First, its share price had been weakened by its exposure to troubled emerging markets, making it vulnerable to takeover. Second, the merger with Fleet allows it to maintain its headquarters in Boston, vitally important to chairman Chad Gifford, and his predecessor Ira Stepanian. The merged Fleet Boston will bear the name of its host city, and BankBoston will maintain its brand name in Latin America.

Fleet, for its part, apparently decided that BankBoston's new bargain basement share price made taking on the risk of its emerging markets operations worthwhile.

Observers were predicting job cuts of about 4,500, although Mr Meirelles plays down the possibility of cuts. "The savings we expect – $700m over 2½ years – will be in areas such as a common platform for technology, risk management, law offices, services and so on.

"One of the attractive points of the merger is that the two institutions are not going to have to slash one part or another [of their operations]."

The new Fleet Boston is expected to have a strong presence in the booming area of financial services on the internet. Before the merger Fleet had been considering spinning off the internet trading operations of broker Quick & Reilly as a separate business.

Mr Meirelles said BankBoston might offer the analyst services of its subsidiary Robertson Stephens to Quick customers. "This would immediately upgrade Quick and allow us to compete head-on with Charles Schwab," says Mr Meirelles.

One of the trickiest parts of the merger will be the power-sharing arrangement between Fleet's Terry Murray, who will be chief executive of the new institution for the first two years, and Mr Gifford of BankBoston, who is scheduled to take the post at the end of 2001.

The two have very different management styles. Mr Murray is aggressive and has built Fleet from a tiny regional player into a major bank. Mr Gifford is a Boston blue-blood who heads one of the oldest financial institutions in the US.

Changing places: Fleet's Terry Murray, left, will head the group until end-2001 when Chad Gifford of BankBoston will take over

Schwab profits may rise 100%

By John Labate in New York

Online brokerage stocks were sharply higher in midday trading after Charles Schwab, the discount broker that runs the largest online service, said first-quarter earnings would exceed analysts' expectations.

The company also reported new information about the pace of online trading for February and March.

Schwab said profits for the quarter could rise 100 per cent to between $130m and $140m, or between 31 and 34 cents per share.

The recent consensus estimate was for earnings per share of 26 cents.

Revenues for the quarter are expected to approach $940m, or more than 30 per cent higher than the first quarter last time.

The news sent Schwab's shares $2¼ higher in early afternoon trading to $86⅝, and helped raise sentiment for the sector.

Shares of E*Trade, the third largest online brokerage, climbed 5 per cent or $2⅞ to 53\frac{5}{16}$.

Schwab also said the average daily trading in stock and mutual funds was down 18 per cent in February from January's strong levels, but were 69 per cent higher than last time. The company said that trading in March was "comparable to February's pace", and that customer assets were up from a dip in February.

The company said it expected to release final results for the quarter in mid-April.

El Paso to acquire Sonat

By Hillary Durgin in Houston

El Paso Energy, the Texas-based gas pipeline and energy marketing group, yesterday said it had agreed to buy Sonat for about $3.9bn in stock plus about $2bn in debt, in a deal that would create the largest US natural gas pipeline company transporting nearly a quarter of the country's natural gas.

The transaction between El Paso and Alabama-based Sonat continues a wave of mergers in the US natural gas and power industry that is being driven by a need to increase size to remain competitive and grow as markets open to competition.

With the acquisition of Sonat, which combines the companies' nationwide network of gas pipelines, power development and energy marketing capabilities, El Paso is establishing itself as an important participant in a rapidly-consolidating industry.

More deals are expected between utilities – or even oil companies – and the shrinking handful of pipeline companies.

"The electric and gas companies are converging," said Ronald J Barone, natural gas analyst with PaineWebber in New York. "It's going to be down to a handful of very large companies: you need size; you need scope; you need scale to be competitive."

Indeed, some people view the Sonat transaction as a defensive move by El Paso to remain independent. El Paso was reported to have been in unsuccessful talks to be acquired by Southern, the large Atlanta-based electric utility.

For El Paso, whose pipelines serve the west and the north-east, Sonat provides an entry into the south-east, where it serves 70 per cent of what is the fastest growing natural gas market in the country.

El Paso is also acquiring Sonat's large exploration and production business, which has been troubled due to poor investments and depressed oil and gas prices but has recently been restructured.

Under the terms of the transaction, which is expected to close in the third or fourth quarter of 1999, each of Sonat's 111.5m shares outstanding will be converted into one share of El Paso common stock. El Paso has also agreed to assume about $2bn of Sonat debt.

In early trading El Paso shares were down $3⅛ at $32¼ while Sonat shares were down $⅝ at 29\frac{7}{16}$. Donaldson Lufkin & Jenrette is advising El Paso, and Merrill Lynch Sonat.

NEWS DIGEST

CHANGE OF JOB

Syron to quit AmEx and move to Thermo Electron

Richard Syron, chairman of the American Stock Exchange since 1994, announced yesterday his intent to leave to become president and chief executive officer of Thermo Electron, a producer of analytical instruments. Mr Syron will start on June 1.

He will leave the AmEx less than a year into its merger with the Nasdaq stock market, the screen-based trading system based in Washington, DC. He is credited with breathing new life in what was then the third largest US exchange with a series of new trading products, including a thriving options business. Prior to joining the AmEx Mr Syron, 55, served as president and chief executive officer of the Federal Reserve Bank of Boston.

Mr Syron yesterday promised swift action to salvage the recently troubled Thermo Electron. From a high of $44½ in December 1997, its shares now trade at just above $14. Mr Syron became an independent director of the company in 1997. **John Labate, New York**

INVESTMENT BANKING

Lehman strengthens UK arm

Lehman Brothers, the US investment bank, will today announce the appointment of two senior bankers who formerly played leading roles at Morgan Grenfell, in a bold effort to strengthen its position in the UK market.

Rory Macnamara and John McIntyre will become managing directors and heads, respectively, of UK coverage and UK mergers and acquisitions for Lehman. Together they had 31 years of experience at Morgan Grenfell, which was bought by Deutsche Bank in 1989 and lost its name last year. Vinnie Lynch, Lehman's head of European investment banking, described the two as an "exceptional partnership".

Mr Macnamara, who was deputy chairman and responsible for M&A when he left Deutsche last year, advised clients including Scottish Power, Scottish & Newcastle and Eurotunnel. Mr McIntyre has been responsible for UK M&A at Deutsche. His recent transactions have included the merger of Scholl and Seton Healthcare and the restructuring of Lonrho. **Clay Harris**

OFFERING

Enron to float Azurix

Enron said yesterday it planned to make an initial public offering of stock in Azurix, its global water and wastewater business subsidiary. The Houston energy company expects to raise up to $750m, or $863m assuming underwriters exercise their overallotment options. The total number and price of the shares to be offered will be determined at a later date. Merrill Lynch will serve as the lead managing underwriter for the offering.

Azurix, based in Houston and London, last year bought Wessex Water, the UK utility, for about $2.8bn. The company, which also has investments in Mexico and Argentina, expects to retain about $350m of the IPO proceeds, before costs and expenses, to make acquisitions. **Hillary Durgin, Houston**

OIL INDUSTRY

Alberta Energy targets Pacalta

Alberta Energy, one of Canada's largest oil producers, has launched an unsolicited C$748m (US$491m) takeover bid for Pacalta Resources, the Canadian group with production in Ecuador's Oriente Basin. The acquisition would bolster Alberta's presence outside western Canada.

The company's natural gas operations have allowed it to be one of most successful Canadian companies in weathering the recent oil price slump. Alberta has offered 0.235 shares for each Pacalta share, representing a 29 per cent premium on Pacalta's 10-day average share price of C$6.70. The value of the offer includes C$274m of Pacalta debt.

The two companies had been in talks to develop jointly Pacalta's properties in Ecuador prior to the offer. Alberta said it launched its bid because Pacalta would need additional capital to develop assets and pursue additional opportunities. **Scott Morrison, Toronto**

AIRLINES PROPOSAL GAINS BACKING FROM TWO-THIRDS OF GROUP'S CREDITORS

PAL wins support for rescue move

By Tony Tassell in Manila

A new survival plan to keep Philippine Airlines in the skies has been proposed by its receivers.

The revised plan submitted yesterday to the Philippines capital market regulator, the Securities and Exchange Commission, envisages the injection of $200m of fresh equity and an extensive restructuring of the airline's $2.2bn debt burden.

PAL said it had won – in principle – approval of the plan by two-thirds of the company's creditors, including the US Export-Import Bank, European export credit agencies and local secured creditors. An earlier plan presented in December had been widely rejected.

"There is new hope," said Jaime Bautista, chief operating officer. "This [the new plan] assures us continued use of the aircraft and other assets necessary for our operations."

Peter Foster, the chief company adviser who joined the airline with a team of executives from Cathay Pacific, said he was confident of securing the $200m equity injection by June.

No investors were named but PAL said talks were "progressing well" with several potential investors over the equity injection, which will account for 90 per cent of PAL's ownership.

PAL said it was not expected to come from another airline although some potential investors had "interests" in the industry. It added talks were continuing with Lucio Tan, the Filipino-Chinese business tycoon who is majority shareholder.

Mr Foster said once the plan was accepted the airline would be producing positive cashflow. Apart from debt restructuring, the new plan also calls for the sale of non-core assets such as the maintenance and engineering division, the relocation of domestic and international operations to a new terminal in Manila, the reduction of the fleet to 22 aircraft and new marketing alliances with international airlines.

The introduction of a new management team led by Mr Foster and Luis Juan Virata, PAL president, also was critical in gaining support for the rehabilitation plan from creditors.

The SEC is expected to make a decision by April 15 after seeking formal comments from creditors.

PAL has been suffering steep losses due to a litany of problems including a high debt burden, falling demand for air travel in the wake of the regional crisis, the slide in Asian currencies against the dollar over the past 18 months; massive overstaffing, an over-ambitious fleet expansion and a 22-day pilots' strike in July.

In the nine months to December, PAL lost almost $1m a day, leaving an excess of liabilities over assets of more than 5bn pesos ($128m) at the end of December.

Ayala's X shares plan takes investors aback

Critics say Philippines banking-to-telecoms group is seeking to raise capital while minimising dilution of family's control

By Tony Tassell in Manila

Jaime Augusto Zobel de Ayala, left, with his father Jaime Zobel, chairman, and brother Fernando, Ayala Land vice-chairman

For much of its 164-year history, Ayala Corp has been a flagbearer of standards of corporate governance not only in the Philippines but also Asia.

As the last annual report of the bluechip conglomerate augustly proclaimed: "Ayala Corp's legacy is its adherence to the principles and ideals that wrought its existence."

As such, the announcement last week of plans by Ayala, one of the last large family-controlled business houses of Spanish descent in the Philippines, to issue a new form of limited voting rights shares called X shares, came as a shock to many of its international and local investors. This was particularly so at a time when calls are mounting for improved corporate governance standards to boost investor confidence in Asian business.

The banking-to-telecoms group plans to seek shareholder approval to issue up to 400m of X shares, although it says it has no immediate plans to do so. Each of the X shares will be equivalent to 10 ordinary common shares but will only have the voting rights of one. At current market rates, the plan could raise up to 50bn pesos ($1.3bn) and result in an equity dilution of up to 36 per cent after an impending stock dividend is taken into account.

"We want the X shares to become the traded Ayala Corp stock over the next decade," said Jaime Augusto Zobel de Ayala, president.

As in other controversies over limited voting rights shares, the departure from the principle of one share-one vote, however, has raised concerns about the treatment of minority shareholders, a reduction of management accountability and the increased cost of capital of such equity as it is likely to be issued at a discount.

Critics contend the Ayala family is seeking to raise capital while minimising the dilution of its control of the company in a move that could set a precedent for other family business houses.

The Ayala family retains a 58 per cent stake in the company with much of the remainder held by long-term investors including the financially troubled Mitsubishi group which has 20 per cent.

Mr Ayala, voted emerging market chief executive of the year in 1998 by one leading poll, says the concerns of some minority shareholders opposed to the plan are valid but the merits of it outweigh the disadvantages.

"No shareholders will be prejudiced. If they don't want to take up the shares, they don't have to," he said of the plan, developed over more than two years.

Mr Ayala said while the choice of X shares would minimise the dilutive impact on his family's shareholding, the stability of the management of Ayala Corp was positive for other shareholders.

"We think this stability will continue to be of value as it has been in the past," he said. Mr Ayala added "dual class" share structures were common and popular in US and European markets. Leading companies with such structures include ABB, Holderbank, Astra, Atlas Copco, Ericsson and Electrolux.

In Ayala Corp's case, Mr Ayala said the issue of X shares would also enable the company to raise funds from foreign investors without breaching the 40 per cent ceiling on foreign ownership. Currently, foreign investors, including Mitsubishi, hold an aggregate 29 per cent stake in Ayala Corp.

"Really, we wanted to create room to manoeuvre, to be able to raise funds quickly to take advantage of opportunities when they arise," he said.

Although he would not specify particular targets, Mr Ayala said his company was looking for strategic opportunities in the telecom, real estate, banking and food industries. He said the option of borrowing funds instead of issuing X shares was restricted. The company did not want to tap domestic money markets because it did not want to breach single borrower limits for banks on the group as whole and also because of the small size of market. Alternatively, it did not want to bear currency risk in any foreign borrowings.

Mr Ayala said issue of equity would also allow the company to raise the limited liquidity in trading Ayala Corp shares. The last common share issue by the company was its 1976 initial public offering and company officials estimate the effective free float of the company's shares is only about $180m, a fraction of its $3bn market capitalisation.

Company officials add the X share plan is part of Ayala Corp's history of introducing innovative financial instruments.

But Scott Gibson, director of research at ABN Amro Securities, said investors did not buy shares in Ayala Corp for its use of such instruments.

"Investors bought into the company for its traditional values of corporate governance," he said.

Chiyoda Life forms US joint venture

By Naoko Nakamae in Tokyo

Chiyoda Life, one of Japan's large life insurers, yesterday announced it was forming a joint venture with UNUM, a US insurance company, to sell group long-term disability insurance policies.

The joint venture will be capitalised at about Y500m ($4.2m) and will start with 30 employees.

The troubled Japanese life insurer, which has been hurt by recent slumps in the Japanese stock and property markets, also revealed that it had raised Y20bn from more than 20 companies to strengthen its capital base.

It is negotiating a further Y50bn of subordinated loans from several institutions, such as Tokai Bank, with which it has close ties.

"[With this boost], I believe our company will be able to achieve a solvency margin of around 300 per cent [assuming the Nikkei 225 level is around 14,000]," said Reiji Yoneyama, company president.

Chiyoda is struggling to improve its financial health ahead of the new fiscal year when the Financial Supervisory Agency will be toughening its stance on weak life insurers.

Chiyoda's solvency margin – a key indicator of financial health – of 314.2 per cent at the end of last March was one of the lowest in the Y190,000bn life insurance sector. After April, the FSA will require companies with solvency margins of less than 200 per cent to adopt "prompt corrective action measures" to improve their business.

The government has also been encouraging weak life groups to seek partners over the past year, despite its recent failure to find a buyer for the successor company to Nissan Mutual.

For example, Toho Mutual has effectively sold its new business to GE Capital, the US group, and Daihyaku formed a similar alliance with Manulife, the Canadian group.

But Kevin McCarthy, UNUM chairman, said his company "currently had no plans" for any form of capital tie-up with Chiyoda.

He also denied that there had been any financial prerequisites to the marketing alliance. "UNUM was not involved in Chiyoda's decision to strengthen its capital base."

Kobe Steel expects losses of $310m

Kobe Steel yesterday revised down its earnings projections for the business year ending March 31 again, projecting a group net loss of Y37bn ($310.4m) compared with its previously estimated net loss of Y34bn, agencies report.

The group also said it expected consolidated sales to amount to Y1,310bn, less than its earlier forecast of Y1,350bn.

It expected its group pretax loss to total Y26bn, against the Y21bn loss it had expected.

Kobe Steel did not change its parent earnings forecast from previous estimates.

The company said it would skip dividends for the year. It paid a dividend of Y2 a share in the previous business year.

Hiroshi Kajiwara, senior managing director of Kobe Steel, said group sales suffered in the areas of construction and electronics. He said pre-tax profit was hit by the poor earnings results of its steel and semiconductor group companies.

Mr Kajiwara said KTI Semiconductor, a Kobe Steel subsidiary, was expected to report a net loss of about Y15bn for the year ending March 31, largely because of poor first-half results.

While this figure was worse than the Y10bn loss the company was expecting, it is smaller than the Y19.2bn loss KTI Semiconductor posted the previous fiscal year.

Kobe Steel expected the unit to generate a net profit of Y5bn-Y10bn for the fiscal year beginning in April, Mr Kajiwara said.

He said KTI Semiconductor was expected to break even for the January to March term and produce a profit for the month of March.

NYSE opens Tokyo office

The New York Stock Exchange has opened an office in Tokyo in what it says is an effort to attract Japanese and Asian companies to list their stocks on the world's biggest equity market, Kyodo reports from Tokyo.

The Tokyo office will seek to encourage Japanese, Chinese, south-east Asian and Indian firms to go to the NYSE.

The move presents a challenge to the Tokyo Stock Exchange, which has seen an increasing number of foreign companies delist their stocks.

The number of foreign companies on the TSE has fallen to about 50 from a peak of 127 in 1991.

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

BUSINESS SERVICES

BUSINESSES FOR SALE

CONTRACTS & TENDERS

Fondul Proprietatii de Stat

Advertisement for share sale by direct negotiation

STATE OWNERSHIP FUND, DIVISION DIRECT SALES IN MACHINE BUILDING, located in Bucharest, 6 Stavropoleos street, sector 3, sells by DIRECT NEGOTIATION, according to Emergency Governmental Ordinance no. 88/ 1997 approved by the Law no. 44/ 1998 and the Governmental Decision no. 55/ 1998 modified and completed by the Governmental Decision no. 361/ 1998, 69.99% of the share stake of TURNATORIA CENTRALA S.A. located in Campina, 29 Ecaterine Teodoroiu Str., Prahova county, fiscal code R 3195284, registration number at the Register of Commerce J 29/113/1991, having

- Main object of activity: Steel and cast iron castings for mine, oil, chemical equipment, complex equipment, gear boxes, drilling pump cylinders and for ship engines.
- Share equity (according to the last inscription at the Register of Commerce) ROL 36,289,150 thousands;
- Turnover (as per 1997 Balance Sheet): ROL 56,296,140 thousands;
- Loss (as per 1997 Balance Sheet): ROL 1,566,477 thousands;
- Shareholders structure as per 16. 04. 1998:

SHAREHOLDERS	NUMBER OF SHARES	%
SOF	1,015,950	69.99
Financial Investment Company	332,300	22.893
Manager	147	0.01
Free of charge shares transfer program (natural legal persons)	103,169	7.107
TOTAL	1,451,566	100.00

➢ Sale offer price is ROL 25,000/ share and the amount of the share stake offered to sale is ROL 25,398,750,000.

The PRESENTATION FILE of the Company may be procured daily from the STATE OWNERSHIP FUND - DIVISION PORTFOLIO OFFERS, telephone 04-01/ 303.63.35, 303.63.47, between 08⁰⁰ and 16⁰⁰ hours, till the precedent day of the offers submission, inclusively

The sale price of the PRESENTATION FILE is ROL of 16,000,000 will be paid into the account no.251.100.980.900.313 opened to BRD - SMB. The PRESENTATION FILE will be delivered upon the following documents:

- copy of the payment order certifying the payment of the PRESENTATION FILE price;
- identity card or passport (if case of Romanian/ foreign natural persons);
- delegation from the Bidder company.

The compulsory condition to participate to the negotiation is the purchasing of the PRESENTATION FILE.

The participation guarantee amounting ROL 761,962,500 will be paid into account no. 251.100.980.900.313 opened to BRD - SMB.

Foreign natural of legal persons will pay the PRESENTATION FILE and the participation guarantee into account of convertible currency opened to BANCOREX, no. 251.100.000.002.423.000.08, in USD, at the exchange rate communicated by the National Bank of Romania at the payment day.

In order to participate to the negotiation, the Bidder will submit the documents provided by the Governmental Decision no.55/ 1998, artical 27, mentioned in the Section C of the PRESENTATION FILE and the Offer, including the Business Plan, closed in sealed envelopes, at the address mentioned above - DIVISION PORTFOLIO OFFERS, till the deadline date 22.04.1999, 10⁰⁰ hours. Offers will be opened on the same date, 12⁰⁰ hours, at the DIVISION DIRECT SALES IN MACHINE BUILDING, in the Bidders presence.

Foreign natural or legal persons will pay the sale-purchase Contract in convertible currency at the exchange rate communicated by the National Bank of Romania at the signing date of the finalising protocol of the DIRECT NEGOTIATION.

Bidders may order a banking guarantee letter issued by the Bank where they have their main account opened, valid for 180 calender days from the offer submitted.

Other information regarding the Company may be obtained from telephone +401.312.42.39, fax +401 .311.30.94, Mr Victor Vlad Cazana.

For further data concerning SOF's offer, see on site INTERNET of SOF at the address www.sof.ro.

CONTRACTS & TENDERS

The Democratic Republic of Congo
Ministry of Finance and Budget

TENDER FOR THE SELECTION OF A PRE-SHIPMENT INSPECTION COMPANY

The Government of the Democratic Republic of Congo invites sealed proposals from international reputable companies for the provision for PSI services covering imports.

Interested companies will be required to submit their bid in one original and five copies to the Conseil des Adjudications du Gouvernement C/o Direction des Marchés Publics; avenue de l'Ouganda no.4204, Gombe, Kinshasa in two separate sealed envelopes:

- Envelope "A" will contain technical data to be used for pre-qualification
- Envelope "B" will contain price proposals,

Tenders must be received at the above address **before 5 May 1999 at 10:00 am**, when public opening will take place.

Proposals should remain valid up to 5 July 1999. They must contain a Bid bond worth US Dollars $50,000 or its equivalent in convertible currency, established in the name of the Ministry of Finance and Budget. The Bid bond is liable to forfeiture, should the Bidder chose to withdraw his/her bid between the time of the public bids opening and the expiry of the validity period, or fail to accept and sign the contract established in terms with his/her proposal by the Ministry of Finance and Budget.

Interested Companies can obtain a copy of the Request for Proposals, through a formal request on Company stationery signed by an authorized representative, from:

Conseil des Adjudications du Gouvernement C/o Direction des Marchés Publics at the above address, upon payment of a non-refundable amount equivalent to US Dollars $10,000, payable in Congolese Francs into the account of the Accountant; avenue des Huileries no. 4404, (Cabinet du Ministre des Postes, Téléphones et Télécommunications), Gombe, Kinshasa.

For further information please contact the Office Congolais de Contrôle, 98 Av. du Port Kinshasa/Gombe, Fax: 243-1221974.

Tomkins will spend up to £418m in buy-back

By Michael Peel

Tomkins, the food, building products and engineering group, is planning to spend up to £417.5m ($672m) in its latest share buy-back programme, announced at the end of last week.

Giving details of the planned tender offer yesterday, the group also revealed that it intended to sell Murray, its US mowing machinery, snowblower and bicycle business and Hayter, its UK mowing machinery business. One analyst estimated the two companies together might raise £110m-£120m.

Greg Hutchings, chairman, said the buy-back reflected Tomkins' need to increase its gearing after failing in its search for a sizeable acquisition.

City observers saw the offer as an attempt to overcome investors' aversion to the group, which has underperformed the market by 41 per cent in the past year. "It's a company that has not yet grasped the imagination of the market," said one institutional investor in the group. "Diversifieds are not popular and he [Mr Hutchings] could do with refocusing."

Tomkins, which has already spent about £140m on buy-backs this year, proposes buying about 15 per cent of its remaining shares at a price of between 220p and 250p. The shares closed at 224½p yesterday, down 9¾p compared with the close of 206p last Thursday, the day before it revealed it was planning a buy-back.

The group will seek approval for the offer at an extraordinary meeting on April 16. The directors will set the tender price after the close of the offer on the same day.

Mr Hutchings said the group had spent six months looking in vain for a big acquisition. It had considered "quite a few" possible purchases of more than $2bn, but had concluded that the prices were too high.

He said that the share buy-back would give the company gearing of 50-70 per cent and net borrowings of between £500m and £700m. "The strategy we have had for years is that if we don't find the acquisitions we are happy to give cash back to shareholders," said Mr Hutchings.

Mr Hutchings, who said no further disposals were planned, denied that the group was too diversified. "We have sold 22 companies in the last year and have focused on our three core businesses," he said.

But analysts suggested investors might continue to avoid Tomkins until it became more streamlined, perhaps via a disposal of its food manufacturing operation. They forecast the group will struggle this year to beat the £498m of pre-tax profits before exceptionals it reported last year.

The group has warned it will be hit by flagging demand from US industrial customers.

Inquiries focus on internal controls at Capital

By Andrew Edgecliffe-Johnson

Capital Corporation, the London casino group that reports its full-year results today, is at the centre of official inquiries into events dating back to 1996.

It is understood that both the Department of Trade and Industry and the London Stock Exchange have examined the group in recent weeks. The Institute of Chartered Accountants in England and Wales is understood to have received correspondance about its auditors, Deloitte & Touche, but declined to comment.

The group has maintained that controversy about weak internal controls and the timing of profit warnings was in the past. Deloitte & Touche confirmed it had received correspondence from the ICAEW and was "in the process of studying it".

The issues under examination include the auditors' decision to grant Capital an unqualified audit report for 1996, even after highly critical independent reports about management and controls within the group, which was a victim of a gaming fraud in 1996.

A letter from Deloitte & Touche, dated August 1996, shows the auditors had "considerable cause for concern" about the lack of progress at improving controls within the group.

It adds: "Should our reviews confirm the position indicated by these preliminary discussions, we will need to consider our position as auditors."

The removal of a profit warning from Capital's draft interim results in September 1996 has also been the subject of letters to DTI.

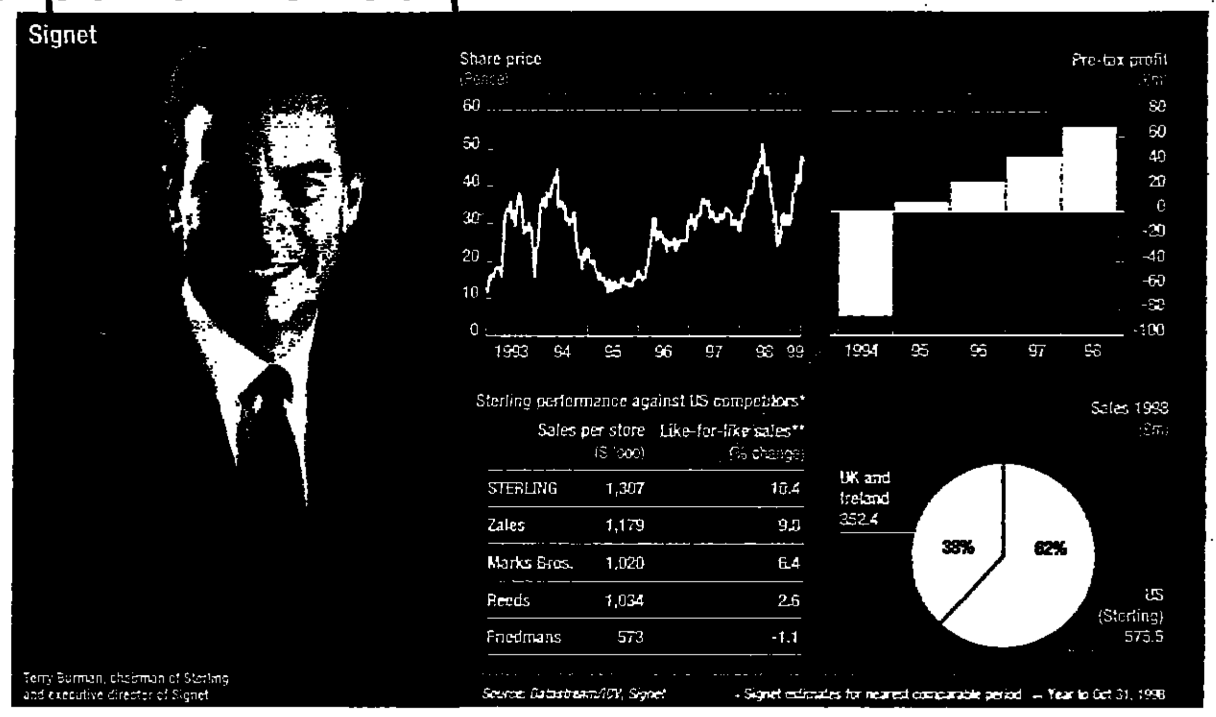
The Stock Exchange is believed to have recently looked again at whether a false market existed in Capital's shares before a profit warning was eventually issued in January 1997.

Some of the group's largest shareholders said yesterday they would closely examine the accounting policies in the full-year results. In particular, they are concerned at the group's decision to include a recovery of bad debts in its turnover figure at the interim results.

Analysts now expect pre-tax profits of £5.5m for 1998, down from £12.4m ($20m).

Signet's dazzling US performance puts its UK side in shade

The jewellery chain is doing so much better in North America that maybe it should consider moving its domicile, writes Daniel Bögler



Terry Burman, chairman of Sterling and executive director of Signet

Source: Datastream/ICV, Signet · * Signet estimates for nearest comparable period ** Year to Oct 31, 1998

A scene from Casablanca is on television: "Here's looking at you kid," says Humphrey Bogart wistfully to Ingrid Bergman. Suddenly a cheerful voice-over blares: "Some guys are born romantic. But for the rest of us, there's Kay Jewelers."

To British ears, this kind of advertising probably sounds too corny for words. But it seems to be working beautifully in the US – Kay, the US backbone of UK-based Signet, the world's largest jewellery chain, is leaving rivals choking on its diamond dust.

Like-for-like sales at Sterling – Signet's US holding company that encompasses Kay and some smaller regional chains – are growing at more than 10 per cent, compared with single digit increases at its main competitors. By most other measures too, Sterling has its nose in front. Its sales per store and operating margins are 10-20 per cent higher than those of its peers. As a result, Sterling has become a rare transatlantic success story for a British retailer and now contributes two-thirds of sales and profits at Signet, which also owns the H Samuel and Ernest Jones chains in the UK.

Big-budget advertising certainly has something to do with this. Only the two big national chains, Sterling and Zale, its larger rival, can afford to splash out $50m a year on national TV and radio campaigns. But whereas Zale has recently been promoting specific bargains, according to Todd Slater, a retail analyst at Lazards in New York, "Kay's more general romance theme resonated with consumers and translated into incremental sales".

Terry Burman, Sterling's chairman and one of Signet's three executive directors, argues that smart marketing is just one of several factors driving his unit's performance. Sterling is one of the few jewellery retailers to buy loose diamonds and gemstones directly from manufacturers in Amsterdam and Vienna, which is cheaper. Once the stones are cut, set and have arrived in Sterling's Ohio warehouse, they do not stay there long. With its 788 stores across 44 states linked to headquarters by satellite, ranges can be replenished daily, with replacement stock sent overnight. Lately, white gold rings, platinum chains and diamond solitaires have been the hottest items.

Mr Burman also stresses the importance of highly trained and motivated staff: "We have more qualified "diamontologists" in our stores than anyone else. And up to a quarter of employee compensation is based on commission, which is more aggressive than our peers."

Analysts, meanwhile, give much of the credit to him personally. Ashley Thomas, of Société Générale in London, points out: "Since Terry Burman arrived in autumn 1995, the US market share gains have accelerated."

Sterling's final secret weapon is a new superstore concept called Jared, which at five times the size of a typical shopping mall store offers a much wider selection, as well as design facilities, a repair shop and a children's play area. While there are only 15 Jareds so far, the number will double this year and management sees scope for more than 200.

The strong performance of its US arm, helped of course by the buoyant economy, is a blessing for Signet at a time when its UK chains are reporting like-for-like turnover down 1.4 per cent. Walker Boyd, finance director, points out that this is no worse than the wider market, and that store refurbishments at H Samuel are aimed at raising the average purchase from a mere £25 ($40), and so underpinning the chain's growth.

There is little doubt where James McAdam, Signet's chairman, sees the future for his group. Brought in towards the end of 1992 to rescue the heavily indebted Ratners, Mr McAdam has returned the renamed group to the black and steered it through a capital reconstruction.

With pre-tax profits for the year to January – due on March 30 – expected to be up a quarter at £87m and gearing down to single digits, he finally feels he has the firepower to expand again. That expansion will come largely in the US, where Sterling is planning to increase its floorspace by 12 per cent this year. "It's a bigger, faster growing market and Americans simply spend more on jewellery, particularly diamonds," he says.

The figures bear him out. The £2bn UK market, where Signet has a 17 per cent share, has been flat for years. The US market, worth some $40bn in total, has been growing at 5-6 per cent annually for the past two decades and Sterling still has less than 5 per cent.

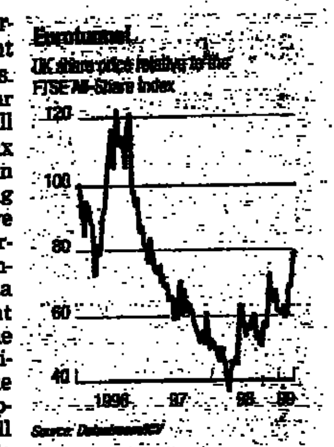
There are worries, of course. Not least over the continued health of US consumer spending and the encroachment of the internet on jewellery sales, though Mr Burman is sceptical about its potential.

However, Signet's biggest challenge is that it is effectively a US company being valued like a UK one. On forecast 1999 cash flow, it trades at a 35 per cent discount to Zale, according to Mr Thomas at Société Générale. Just putting Sterling on a US-style rating would generate a 60p a share valuation for Signet, compared with its close yesterday at 46¾p, down 1¼p.

If Mr McAdam really believes in the US, perhaps he should move his entire business there.

COMMENT

Eurotunnel



Investors should not be carried away by the recent surge in Eurotunnel shares. As the company made clear yesterday, its recovery is still far from over. Its first pre-tax profit was largely due to an exceptional profit resulting from the company's massive financial restructuring. Furthermore, although the company's revenues showed a healthy increase, it was at pains to add its voice to the growing wail over the abolition of duty-free within the European Union. The disappearance of these profits will hurt Eurotunnel. But this is surely small beer for the shareholders, compared with the massive dilution involved in the company's restructuring. Still, at least the company seems to have broken its habit of missing forecasts. A case of being thankful for small mercies.

London Underground

The government's optimistically-named "progress report" on the London Underground will hardly thrill long-suffering commuters. It does, though, contain some encouraging developments. The government wants the private sector to tender for three infrastructure companies. These will then invest in and maintain the Tube's crumbling network for some 30 years. The document sets out the government's thinking on the best way to incentivise and reward these consortia. The good bit is the emphasis on outputs – such as train frequency – in setting performance measures.

Now for the problems. Most disappointing, the government has set its face against privatising the company that will actually operate the service. An infusion of private sector ideas about servicing customers would surely be welcome. Another cause for concern could be the government's plans for resolving disputes between the infrastructure companies and the operating company. An arbitrator will be appointed, but whether the parties will be able to appeal against his decisions is as yet unclear. Yet his impact could be considerable if, for instance, he sides with the operating company and against the infrastructure companies on assessing the costs of a project.

The big loser, though, appears to be the new London mayor. By the time he is finally on the scene, most of the main decisions on investments for the next seven years will already have been nailed down.

NEWS DIGEST

CHEMICALS

Laporte prepares for another challenging year

Laporte yesterday became the latest chemicals group to highlight the tough environment the industry faced last year and say it expected no improvement this year.

It said conditions had been "very challenging" and that, overall, it expected "no assistance from external factors or from the major economies". This year it would face extra pensions costs, as well as the loss of profits from the hygiene business it sold in December.

However, helped by the acquisition of rival Inspec, it reported operating profits flat at £125.6m ($202m). Pre-tax profits were £71.2m (£76.4m) after exceptional charges of £53.5m (£55.8m), on sales of £829m (£830m). Jim Leng, chief executive, said the restructuring was largely over, although the group was planning further disposals of businesses with turnover of about £50m. **Virginia Marsh**

PACKAGING

Ardagh reverse deal for Rockware

Ardagh, the Irish packaging group, is to buy the Rockware bottling business from Owens-Illinois of the US for £240m ($386m). The deal, classified as a reverse takeover, fulfils the conditions European competition regulators put on Owens' £2.2bn purchase last year of the global packaging interests of BTR. Rockware has 21 per cent of Ardagh.

Ardagh was advised by Lansdowne Capital. The shares rose 5 cents to €165 in Dublin. **Lucy Smy**

ELECTRONICS

Psion shares jump on NTT link

Psion shares rose 14 per cent yesterday to 860p after NTT Mobile Communications Network, the Japanese telecommunications group, announced a link with Symbian, the UK company's mobile communications initiative. Symbian, owned by Psion, Motorola, Ericsson and Nokia, is developing Psion's Epoc operating system as the standard platform for a new generation of mobile communications devices.

RESULTS

	Period	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alliance Res $	6 mths to Oct 31	3.95	(6.41)	2.27L♠	(2.26L)	4.2L	(4.4L)	-	-	-	-	-
Ardagh ♣	6 mths to Dec 30	18.9	(21.6)	3.62	(3.66)	8.59	(8.89)	1.3	Apr 2	1.3	-	5.85
ASW	Yr to Dec 31	440.9	(464.5)	22L	(5.8L♥)	26.4L	(6.9L)	nil	-	nil	nil	nil
Benchmark	6 mths to Dec 31	12.3□	(11.3□)	7.96♥	(8.69♥)	5.6†	(5.9)	1.75	Apr 15	1.65	-	3.5
Beradin	Yr to Dec 31	1.11	(0.927)	0.983♥	(0.6)	4.92	(2.91)	3.5	Apr 21	2.2	3.5	2.2
Bovis Homes	Yr to Dec 31	234.3	(248.9)	45	(37.3)	27.6	(-)	6.67	May 28	-	10	-
Burford	Yr to Dec 31	49.1	(38.7)	26.6♥	(24.7♥)	5.02	(4.57)	1.35	June 7	1.25	2.5	2.3
Ennstone	Yr to Dec 31	36.3	(14.2)	1.42♠	(0.221L)	2.74†	(1.13L)	0.5	July 7	nil	0.5	nil
Eurotunnel	Yr to Dec 31 ★	666	(529)	64♥	(611L)	-	(-)	-	-	-	-	-
Fairey	Yr to Dec 31 ★	263.7	(320.7)	67.2	(52.2)	44.4†	(35.8)	7.3	June 18	6.96	10.5	10♦♦
Glanbia ♣	Yr to Jan 2	2,301	(2,370)	42.2♠	(117.8L♠)	8	(40.94L)	3.1	Mar 31	2.85	5.35	4.9
Infobank Φ	Yr to Dec 31 ☆	38.7	(30.3)	7.41L♠	(2.09L)	29.6L†	(10.47L)	-	-	-	-	-
Inter-Alliance Φ	Yr to Dec 31	5.31	(1.45)	2.25L♠	(0.222L)	46.11L	(7.16L)	-	-	-	-	-
Jourdan	6 mths to Dec 31	11.3	(16.4)	1.63♥	(1.1)	3.4†	(3.8)	0.65	May 14	0.5	-	0.5
Laporte	Yr to Dec 31	828.6	(830.3)	71.2♠	(76.4♠)	14.5	(18.6)	17.25♦	Apr 1	16.75♦	26.5♦	25.75♦
Lavendon	Yr to Dec 31	33.4	(23.2)	7.04	(4.61)	20.64†	(16.16)	3.2	June 1	2.6	4.7	3.9
Linden	Yr to Dec 31	83.6	(57.5)	8.62	(5.28)	30.5†	(21.7)	5.25	May 28	4.25	7.75	6.5
Lowe (Robert H)	Yr to Oct 31	44.5	(42.1)	3.43L♠	(4.1)	2.34L	(2.76)	nil	-	0.28	nil	0.41
Mayborn	Yr to Dec 31	55.4	(56.2)	0.375	(4.46)	1.8	(14.2)	nil	-	2.6	1.7	8
Natural Building Φ	8½mths to Dec 31	1.63	(-)	0.088	(-)	0.21	(-)	-	-	-	-	-
NSB Retail	Yr to Dec 31	8.4	(3.3)	1.48♠	(0.837)	8.4	(6.9)	1.25	Apr 28	-	1.875	-
Padang Senang	Yr to Dec 31	0.504	(0.629)	0.264	(0.286)	3.78	(4.04)	3	Apr 22	3	3	3
Private & Comm Φ	Yr to Dec 31 ★	5.05	(3.2)	0.411	(0.33)	6.1†	(6.47)	0.6	June 22	-	0.6	-
Ruberoid	Yr to Dec 31	162.6	(188.3)	7.22♥	(6.61)	9.1	(8.8)	4.2♦	Mar 31	4.2♦	6.1♦	6.1♦
Sharpe & Fisher	Yr to Dec 31	87.3	(80.7)	5.52♥	(4.87♥)	18.5	(16.8)	4.6	June 4	4.2	6.9	6.3
Shoprite	Yr to Jan 2	53.1	(46.2)	2.31	(3.18♥)	2.93	(4.02)	nil	-	nil	nil	nil
Singapore Para	Yr to Dec 31	0.755	(0.711)	0.652	(0.505♠)	4.79	(3.81)	3.6	Apr 22	3	3.6	3
Spirax-Sarco	Yr to Dec 31	249	(265.6)	30.6♠	(47.7)	24.1	(38.3)	11.5	May 18	11	16.5	15.8♦♦
Superscape VR	6 mths to Jan 31	2.12	(2.57)	0.087L	(0.956L)	0.71L	(10.9L)	-	-	-	-	-
Ugland Intl	Yr to Dec 31 ★	179.3	(187.4)	15.7♠	(13.4♠)	11.01†	(9.89)	3.06	June 30	2.95	5.1	4.95
Wellington	Yr to Dec 31	53.5	(60.2)	3.13♠	(2.82♠)	8.4	(6.15)	3.8	May 28	5.6	8.5	8.3

Investment Trusts	Period	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alliance	Yr to Jan 31	3,425	(3,097)	33.5	(32.9)	66.42	(65.28)	24.5§	May 4	40.5	62.5	59
Fidelity Japanese	Yr to Dec 31	40.2	(31.48)	0.681L	(0.691L)	0.65L	(0.66L)	nil	-	nil	nil	nil
Finsbury Technology	Yr to Nov 30	141.6	(123.1)	0.499L	(0.473L)	1.9L	(1.8L)	-	-	-	-	-
K'wort Development	6 mths to Jan 31	822.4	(802.2)	0.637	(0.83)	10.53	(13.72)	5	Apr 23	5	-	25
Murray Extra Return	6 mths to Feb 28	32.5	(15#)	0.791	(-)	2.9	(-)	1.3‡	Apr 3	-	-	-
Murray VCT 2	Yr to Feb 28 *	95.9	(96.4)	1.36	(1.3)	3.8	(3.7)	3.4	Apr 3	2.05	4.4	3.05
Perpetual UK Small	Yr to Jan 31	353.6	(372.9)	1.1	(1.18)	7.9	(8.4)	7	May 4	7	7	7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. $US currency. ♣Irish currency. ♠After exceptional charge. ♥After exceptional credit. □Gross rental income. †On increased capital. ☆Comparatives for 15 months. ★Comparatives restated. ♦Foreign income dividend. ♦♦Includes FID element. ΦAim stock. §Second interim of 16p also declared, payable on April 1. #At September 1 1998. ‡Second interim; makes 2.6p to date. *Comparatives for 58 weeks.

MANAGEMENT & SCIENCE

PEOPLE ON THE MOVE

Bell promoted to head Chicago-based True North

True North, the Chicago-based advertising agency group that ranks sixth in the world, has tapped **David Bell**, currently chief executive of Bozell Worldwide, to succeed Bruce Mason as chairman and chief executive.

True North, which also takes in the Foote Cone & Belding network, acquired Bozell Worldwide when it took over the former Bozell, Kenyon & Eckhardt group for around $440m a year ago.

Mason's plans to step down at the end of March had already been made public, and Heidrick & Struggles, the executive recruitment firm, had been looking for a successor.

There had been speculation that the post might go to an outsider, though Bell, 55, was also considered to be a likely internal candidate.

The new chief executive, who will formally take up his position when Mason retires, joined Bozell in 1975, after it acquired his former agency, Knox Reeves Advertising. He became chief executive of Bozell – known in the US for its work for Merrill Lynch, American Airlines, and the former Chrysler group – in 1995.

By a curious quirk, Bell and Mason started out in the advertising business on the same day, when both were trainees at Leo Burnett, another Chicago-based agency.

Bell, five years Mason's junior, takes over at a time when True North is still trying to persuade Wall Street that its strategy, post-Bozell, is a winner.

The company rebuffed a takeover offer from France's Publicis – with which it once had an ill-fated global alliance – to pursue the Bozell purchase in late 1997. However, it has seen its share price slide for most of the past year.

Further takeover talk – with Britain's Cordiant once thought to be a suitor – failed to generate much sustained excitement.

Nikki Tait, Chicago

Senior changes at ADM

Archer Daniels Midland, the large US agribusiness group, has announced a sweeping set of management appointments – with around 20 executives named to new positions at the vice-president or president level.

Among those involved in the changes are **Paul Caswell** and **Dennis Whalen**, who become vice-presidents of the ADM BioProducts division; **Lawrence Bohr**, **Randall Kampfe** and **Richard Light**, who will serve as vice-presidents of corn processing; **Mark Bemis**, who becomes vice-president and general manager of ADM Cocoa's North American division; and **Jerry Mayfield** who takes on responsibility as vice-president, ADM Food Oils division.

As part of the overhaul, ADM is also forming a new environment, health and safety unit with global responsibilities. Its vicepresidents will be **Mark Calmes** and **Gene Smith**.

The company said the moves were designed to "strengthen the management and focus" of its operations.

ADM, which was built up from a relatively small company to an agribusiness powerhouse under the chairmanship of Dwayne Andreas, has long been controversial, partly because of its apparent ability to use political connections to get beneficial business decisions.

In the mid-1990s, the criticism intensified when ADM turned up at the centre of a price-fixing scandal in the lysine and citric acid markets.

The company settled the charges, but criminal charges were subsequently brought against three executives, including Mick Andreas, Dwayne Andreas's son and potential successor. He was found guilty last year and is awaiting sentencing.

Earlier this year, ADM said that the older Andreas would step down as chairman, and appointed Allen Andreas, his nephew, to the post.

Analysts were divided on whether this move would encourage broader changes in management and corporate culture at the company.

Nikki Tait, Chicago

UBS names finance chief

Luqman Arnold, 48, a London investment banker, is to take over as chief financial officer of UBS, Switzerland's biggest bank. He replaces **Peter Wuffli**, 41, who is moving to Chicago to head UBS Brinson, UBS's institutional asset management arm.

Arnold, a London University graduate, spent his early banking career with First National Bank in Dallas and then Manufacturers Hanover.

In 1983 he joined Credit Suisse First Boston and was a protege of Hans-Jorg Rudloff, one of the big figures in the Euromarkets. Much of his career was spent in east Asia.

After a sabbatical spent researching cross-border institutional flows in 1992, he joined Banque Paribas's London management board and took charge of business development at Paribas Capital Markets.

In November 1996 he moved to S.G. Warburg, the London investment bank that had just been bought by Swiss Bank Corporation, to head its Asia/Pacific business.

However, following last October's management reshuffle at UBS, Arnold was brought back to London to be chief operating officer of Warburg Dillon Read, replacing David Solo, who became UBS's chief risk officer, and Werner Bonadurer, one of four executives who left the group after heavy derivatives losses.

The latest UBS management reshuffle is the second since UBS merged with the smaller Swiss Bank Corporation last summer and former SBC executives have strengthened their position inside the group. Arnold will also oversee the group's risk control functions.

Marco Suter, 40, an SBC veteran, becomes UBS's chief credit officer, and Marcel Rohner, 34, also ex-SBC, becomes UBS's chief risk officer. Unlike their predecessors, Pierre de Weck and David Solo, they will not sit on UBS's executive board.

William Hall, Zurich

Smedvig spins off division

Smedvig, a Norwegian oil service company, last week announced plans to spin off its reservoir and well technology products division and transfer its key executive to head the new company.

The move gives Smedvig an industrial solution for its only loss-maker out of four core divisions, which include mobile units, platform drilling and tender rigs, following an earlier disposal of its UK activities in November.

Torkell Gjerstad, managing director of Stavanger-based Smedvig Technologies, will become chief executive of the combined entity with Multi-Fluid, a Norwegian maker of multiphase meters, which enable oil companies to measure produced quantities of oil, water and gas.

Hans Olav Hide, Multi-Fluid managing director, will become chairman of the merged entity's seven-member board.

Smedvig will initially own a 57 per cent majority of the shares in the new company, which it plans to list separately on the Oslo stock exchange under a new name. The remaining 43 per cent will be held by Multi-Fluid. After the merger is completed in June, Smedvig will reduce its stake to below 50 per cent before the end of the year.

The integration creates a company with combined revenues of NKr400m and 300 employees.

The move is in line with Smedvig's strategy to concentrate on core activities in exploration and production while maintaining a major investment in reservoir and well technology.

The merger of the two companies unites know-how and technology to provide a broad spectrum of technology products and services for optimisation of hydrocarbon recovery and reservoir management, Gjerstad said.

Valeria Sköld, Oslo

● **Allan MacDonald**, managing director of British Aerospace's Asian and African operations, has been named as the new chief executive at Celtic, the Scottish football club based in Glasgow.

The Scotsman takes over the post when he leaves BAe at the end of June, and will work alongside Frank O'Callaghan, Celtic's chairman-elect.

HEALTH HUMOUR

The funny effects of laughter

Sara Abdulla finds that mystery surrounds this poorly understood human reflex

Only when I laugh: humour can be a ticklish subject in academia

Kobal

Patty Wooten is a nurse-humourist. She describes herself as the "founder, owner and queen-of-all" of Jest for the Health of It, a Californian educational consultancy for healthcare professionals.

Ms Wooten lectures on the benefits of laughter and has contributed to the Journal of Nursing Jocularity. She is also a past president of the American Association of Therapeutic Humour, at whose annual conference she and Hunter "Patch" Adams, the US doctor-cum-clown, spoke this year.

Ms Wooten believes in the therapeutic value of laughter. "It gets the moist stagnant air in their lungs circulating, which ups blood oxygen. The muscle movement gets the peripheral circulation going and raises heart rate, and mirth overrides the body's hesitancy to do all of these things for fear of pain.

"Laughter stimulates the immune system by offsetting the immuno-suppressive effects of stress".

Ms Wooten belongs to the multi-million dollar therapeutic humour industry, which embraces treatment, training and publishing. Its size is surprising, considering the paucity of scientific data to support its claims.

There is much we don't know about laughter: what it is – physically and psychologically – why it evolved, what triggers it and how it affects the human body.

Yet we all do it: adults up to 20 times a day and children up to 200. We all enjoy it, and recognise it.

Researchers agree that human laughter is not just a response to jokes. After observing 1,200 "laughter events", neurobiologist Robert Provine of the University of Maryland, discovered that 80 per cent of laughter has nothing to do with humour. It merely punctuates statements such as "can I join you?" or "are you sure?". He also found that laughter is not the preserve of the audience: speakers laugh 46 per cent more than listeners in most social situations.

Normal mirthful laughter is as precisely structured as any animal call. It is a series of short vowel-like syllables, such as "ha ha ha" or "tee hee hee", about a sixteenth of a second long and about a quarter of a second apart.

Most researchers will grudgingly concede that laughter is not a learned behaviour. Although it is certainly socio-culturally altered and attenuated with age, laughter is otherwise ubiquitous. It is seen in babies of three or four months and in children who are congenitally deaf and blind. We have all also felt that it can be "uncontrollable" and "infectious" – all of which suggests that laughter is a "hard-wired" reflex.

There are many evolutionary theories as to why, about 7m years ago, some mammals evolved this energetically wasteful activity.

Some argue that laughter is a battle cry. "Humour and laughter are very akin to aggression," says Charles Grunrer, of the University of Georgia. Others argue that it arose to assist social cohesion by binding those who share a joke, inhibiting the fight-or-flight response, and excluding those who are not laughing.

"It helps us to define micro-differences," says Jason Rutter, a sociologist at the University of Manchester in the UK who studies laughter and comedy. "Just look at the way most of the ethnic jokes concern groups who live nearby: the Finns joke about the Swedes, not the Japanese."

Glenn Weisfeld, a psychologist at Wayne State University, Detroit, believes laughter is a signal of "encouragement to continue" when one person is learning from another.

As for the physiology of laughter – how it affects our bodies – there is even less consensus. "I'm fed up with reading so much pseudoscience," complains Willabald Ruch of the University of Düsseldorf, who is compiling a treatise on the physiology of laughter.

"I have never seen any convincing, statistically significant proof that laughter affects the immune system, endorphin levels or blood pressure, or that it relaxes any part of the body."

However, the powerful and money-spinning "laughter is the best medicine" lobby disagrees.

"We have found that laughter modulates immune-system activity," says neurologist Lee Berk of Loma Linda University, California. "It attenuates stress-related hormones and increases the number of natural virus-killer cells, activated T cells, and B cells."

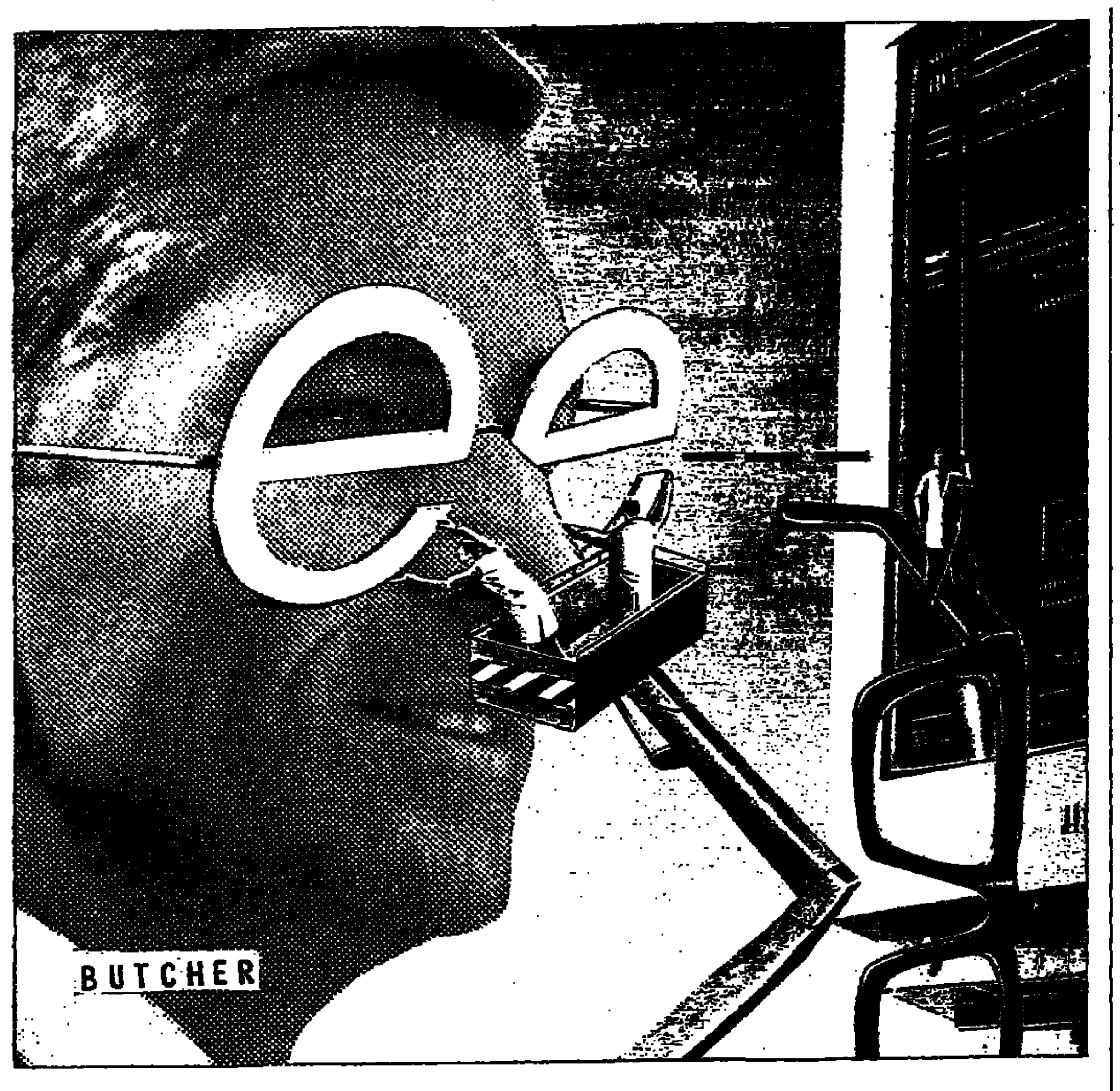
In the absence of scientific literature to settle this dispute, it is hard to know who is having the last laugh.

The author is a science writer at Nature

MANAGEMENT DIGITAL BUSINESS

Blind to the brave new world

Alison Maitland finds managers need help to understand the wired economy



Gus Oldsworthy has run his company successfully for five years. But he has a blind-spot. He cannot envisage his competitors launching into electronic commerce during his remaining two-year tenure, so he dismisses any threat from the internet. In any case, the nerds in the IT department are well abreast of events, having set up a good-looking web site.

Mr Oldsworthy may be a caricature. Yet poll after poll shows that senior executives, particularly in the UK and continental Europe, are ill-prepared for the fundamental changes that are overtaking business in the brave new digital world.

A survey of 500 US and European board directors last week showed that few in Europe had grasped the cost-cutting opportunities afforded by the internet.

As for the competitive threat it poses, US directors predictably took this most seriously, followed by those from Nordic countries. But directors in the UK and France were "in a state of denial", said the report by the UK's Institute of Directors and Oracle, the software group. Such attitudes worry business representatives. Tim Melville-Ross, director-general of the IOD, urges companies to seize the opportunities of electronic business now: "Hesitate, and we risk losing our foothold in this emerging market."

So what prevents top executives from heeding such exhortations, and how can they be encouraged to "think digitally"? Many board directors do not want to admit to their technological ignorance, says Richard Joyce, the IOD's head of director development. They are, thus, often unwilling to join open courses. "The tendency is not to learn at all...which is pretty serious. IT involves hugely significant budgets and these are often decided on the basis of very little familiarity."

The IOD finds its members prefer individual training. It would charge a marketing director £3,000-£4,000 ($5,000-$6,500) for half a day's coaching once a fortnight over three months to get from basic use of a PC to holding a constructive dialogue with the IT director about the options for electronic marketing.

The gap in understanding between IT specialists and business strategists is a significant obstacle, says Ashley Braganza, research fellow in information systems at Cranfield School of Management in the UK. "Very often they talk two different languages."

Cranfield runs programmes bringing the two sides together to work out a common language enabling them to discuss how new information systems can be used to benefit the business. Related programmes consider the processes needed to create value from a web site; to handle orders and dispatch goods, for example.

Mr Braganza believes some executives put off taking action because of the scale of the change involved. Others mistakenly believe e-commerce will not affect their sector.

An equal danger is that companies invest heavily in new technology without properly understanding why, says Jonathan Steel, chief executive of The Bathwick Group, the consultancy that carried out the research for the IOD and Oracle.

But getting busy managers *to switch away from their* focus on the business is difficult. The consultancy runs "warts-and-all" programmes for company directors who can spare half a day at most – and it finds they are often surprised at the extent of the business implications.

Andersen Consulting says many senior executives are preoccupied with issues such as the millennium bug, financial uncertainty and the arrival of the euro.

Rudy Puryear, global managing partner for e-commerce, says his US clients tend to be much more aware of the need to review business strategy than their European counterparts. But even most US executives do not yet have the sense of urgency he believes is needed from the world's top 1,000 companies.

He encourages clients to grasp the big picture by *visualising change at* three interconnected levels.

The first simply involves introducing technology to connect electronically with customers and suppliers, for example through a web site or an intranet, he says.

The second is to re-organise the workforce, processes and strategy to make best use of this technology.

The third is to reposition the company to fit into the emerging "e-economy".

"The most important thing is to begin the transition from companies that were ...successful in the industrial economy to companies that can survive and thrive in this new economy with a brand new set of rules," says Mr Puryear. Most senior executives he deals with have done the first, and some the second, but very few have embarked on the third, he says. Yet internet companies such as Amazon.com and America Online emerged from these new rules. Unburdened by physical assets, their competitive advantage lies in knowledge and customer relationships.

It is this sort of upheaval that Horton, the US head-hunting firm, hopes to address through its new e-business training division, Horton Digital Media.

Richard Heale, the managing director, says the good news for technophobe executives is that they do not need to understand how the technology works, only how it is changing the way business operates. Having understood this, a decision not to launch into e-business would be understandable. Inactivity based on ignorance, however, would not be.

The e-Poch workshops he launches in the UK next month, and in continental Europe and the US this year, will use case studies and discussion to help managers understand how their operations might respond to the internet, interactive television and broad band networks.

The two-day workshops, each costing £1,995, will examine marketing, electronic learning and knowledge management, human resources, commerce, supply management and project design, ending with a workshop that pulls all the business functions together. Companies can send a single executive to all the workshops or different department heads to each of them.

The UK workshops will be open, which may give some managers qualms about the competition. But Mr Heale wants executives to understand that e-business is changing the notion of competitive advantage.

Not only can sharing knowledge add to the value of knowledge in the digital age, but the accessibility of information also led one company to discover that its proprietary technology was not the source of its advantage. Instead, the company's advantage was the speed at which it did business.

As Mr Puryear tells his clients: "You have to go back to basic questions about the organisation: what do customers want to buy from me? What business should I be in? What kind of partners might I need? Everything changes. It forces people to understand how to compete on their core competence."

'The good news for technophobe executives is that they do not need to understand how the technology works, only how it is changing the way business operates

Richard Heale, managing director, Horton Digital Media

INFORMATION TECHNOLOGY BRIEFS

Sanyo digital camera gets solar boost

A solar-powered digital camera? Not quite, but the new Sanyo digiCAM model does contain a Solar Assistance function.

This is a small solar panel at the top of the camera that uses external light energy, allowing the 2 in polysilicon colour screen to be illuminated without draining the battery. The solar panel also balances lighting conditions, making the screen clearer.

The new function is available on the VPC-Z400 and VPCX350.
www.sanyo.co.uk

Filling out forms by telephone

Speech Machines, the UK technology group, has launched what it claims is the world's first speech-to-text service that will allow users to fill in forms over the telephone.

CyberTranscriber TalkForms works by combining data entered by speaking "free form" text, with data entered by keypad. This is then sent via the internet for automatic upload into a customer's database. The service is aimed at form-centric tasks that normally require manual data entry, such as taking names and addresses for customer orders.
www.speechmachines.com

Watermark beats digital pirates

The development of electronic watermarks for digital movies and video has received a boost from the Galaxy initiative, which aims to combine the approaches of Hitachi, IBM, NEC, Pioneer and Sony.

Digital watermark technology is seen by content providers as essential to controlling pirating of content with future digital recording equipment.

Although current technology prevents read-only DVD (digital versatile disk) systems from unauthorised copying of pre-recorded DVDs, the advent of recordable DVDs means additional copy-protection features are needed, the industry believes.

Electronic watermarks will be invisible to the user, but contain information detectable by a chip in consumer digital recorders.
www.ibm.com, www.hitachi.co.jp, www.nec-global.com, www.sony.co.jp, www.pioneer.co.jp.

All-in-one communications

WPI Husky Technology has introduced what it believes is the world's first rugged mobile information device. Running on Windows CE, the fex21 palmtop computer also includes sophisticated communications capabilities.

The casing comes in a single cast, so there is no need for hinges.

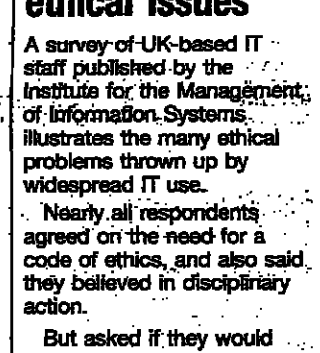
The device also has a "transflective" display, providing clear screen visibility in bright and dark conditions.

Using the multi-card feature, the device can switch from computer to mobile phone and modem. The result is a computer fully integrating the GSM standard for voice calls, data communications faxing, and internet access.
www.wpihusky.com.

Notebook update

Sony has added a slimline CD recorder for notebook PCs to its product range. The new CRX510E 12.7mm in height, aims to bring the technology of CD recording to the notebook market.

The company says the 650 MB CDR disc capacity means files, including multimedia presentations,



VPCZ400: mega pixel camera with solar assistance

picture files and video data, can be backed up easily.
www.sony.com

IT use raises ethical issues

A survey of UK-based IT staff published by the Institute for the Management of Information Systems illustrates the many ethical problems thrown up by widespread IT use.

Nearly all respondents agreed on the need for a code of ethics, and also said they believed in disciplinary action.

But asked if they would work on a project they considered unethical, make unauthorised copies of software, recreate software after changing jobs or make private use of employers' computers, a minority of young or private-sector IT staff considered these activities acceptable.

A sizeable minority also said they believed it would be acceptable to cut down on testing if a project was behind schedule or over budget.
www.imis.org.uk

Christopher Price

TIM JACKSON
ON THE WEB

Beyond the boundary of finance

A cricket information web site shows the challenge of turning not-for-profit sites into investment propositions

One of the internet's endearing features is the ease with which it allows not-for-profit organisations to disseminate information to millions of people. Another is the way that these bodies can suddenly turn into highly aggressive businesses.

Five years ago, Yahoo! was a labour of love, a database of interesting web sites created by a couple of Stanford students; today it is a world class media company with a market capitalisation of $35bn.

How do you keep the commitment and enthusiasm of a not-for-profit outfit while turning into a real web business?

This is the question facing CricInfo, the world's leading cricket information web site (*www.cricket.org* and *www.cricinfo.org*).

CricInfo began when Dr Simon King, a materials science research fellow at University College London, in the UK, noticed many cricket enthusiasts were using Internet Relay Chat.

One user, sitting in front of a TV or radio, would type in ball-by-ball updates. Other fans around the world could then receive an internet commentary even if their TV and radio station did not cover the game.

In 1993, Dr King did two pioneering things. He built a database so that the histories of games would be recorded. And he incorporated CricInfo as a UK company, with himself as sole shareholder.

By 1995, CricInfo had 50 to 60 volunteers and was ready to move from tools such as IRC and gopher to the far more user-friendly web site.

Today's CricInfo is an impressive achievement. It maintains a database about 1 gigabyte in size that is constantly updated across five "mirror" sites around the world. The database is "flat-packed" as a text file that can be easily moved to new operating systems or databases.

Last month, the service's users viewed 55m pages. Dr King has given up his research job to concentrate on CricInfo and there are another 25 full-timers, 15 in India and the rest in Australia, the UK, South Africa, Bangladesh and New Zealand. With 55m page views a month, 30 per cent of usage coming from people in the US and 64 per cent of users claiming an annual income above $50,000, CricInfo looks like an attractive internet media business. The service runs a store and could make money from sponsorships.

Yet CricInfo generated just $200,000 in revenues last year and remains resolutely not-for-profit.

It gives away banner ads to charities, does most of its site hosting by means of barter and provides free web sites for six of the world's 10 cricket councils.

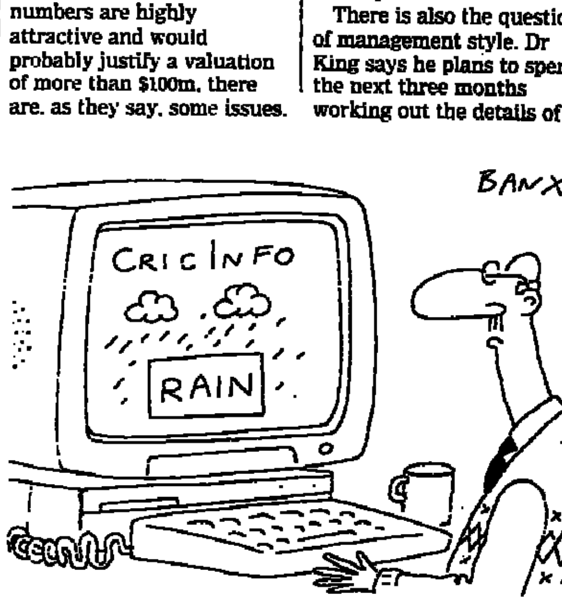
The management of the service is in the hands of five civilised, intelligent and somewhat uncommercial enthusiasts who have decided to turn CricInfo into a real business. Yet their objective remains the good of cricket rather than making money.

As an initial public *offering* looms, one might expect these scruples to disappear. But at a meeting in an English hotel, Dr King agreed with the rest of the management group that neither he nor they will own any equity in the business and that a large chunk will go to a charitable trust or foundation whose beneficiary will be the national cricket boards and the International Cricket Council.

What kind of investment proposition is CricInfo? Although its raw traffic numbers are highly attractive and would probably justify a valuation of more than $100m, there are, as they say, some issues.

First, the shareholding structure. A trust that promises to vote with the majority of other shareholders is one thing, but no sane venture capitalist would sit on a board with a group of sports bureaucrats who know nothing about the internet and whose primary concern is the size of next year's subsidy.

There is also the question of management style. Dr King says he plans to spend the next three months working out the details of CricInfo's new structure. In internet time, this is extraordinarily slow.



Further uncertainty covers what CricInfo would do with new money. Dr King does not know whether he wants to raise £2m ($3m) or £10m ($16m) and is vague about possible uses of funds. Paying volunteers who provide their services for free is clearly laudable, but will not develop usage.

Dr King says a number of venture capitalists are interested in the business. I understand that one company has advanced a few hundred thousand dollars for the development of a business plan, in return for a first-refusal right over CricInfo's first round of financing.

Yet there is a paradox. If CricInfo creates the kind of structure they seem to have in mind and are successful in conducting an auction between investors, the new investors will have a strong commercial incentive to take the company public.

And the likelihood that CricInfo's intelligent and well-meaning founders will remain in charge seems low.

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EURO PRICES

EQUITIES

Europe wakes up to Lafontaine hangover

EUROPEAN OVERVIEW

By Florian Gimbel

European shares put in a lacklustre performance yesterday as Friday's euphoria over the resignation of Oskar Lafontaine, the German finance minister, gave way to realism. Additional pressure came from Wall Street's unsteady opening, with the Dow failing to break through the crucial 10,000-point barrier.

"Today, the market suffered from a hangover, as people realised that the fundamental outlook had not changed," said James Cornish at BT Alex Brown. Investors took a wait-and-see approach, leaving volumes thin.

Several German stocks were hit by profit-taking after Friday's surge, including utility RWE, which tumbled 7 per cent to €43.90.

RWE shares had rallied more than 24 per cent last week on Mr Lafontaine's resignation and Thursday's news of a technological breakthrough. However a newspaper report said that the development of the new technology could take longer than expected.

In general, analysts have become increasingly disillusioned with German fundamentals. "Even without any political or tax concerns, the German market would probably have lagged in recent months due to its poor earnings momentum," said Mr Dennis at ABN Amro.

He thought German equities were particularly vulnerable to downgrades to analysts' estimates because of their "above-average cyclical/export exposure".

"Already this year Germany has suffered more than most, with consensus estimates for 1999 earnings per share growth falling back to 8.6 per cent from 12.3 per cent earlier. European equities in general have seen 1999 eps growth forecasts fall to 9.4 per cent from 11.9 per cent previously," said Mr Dennis.

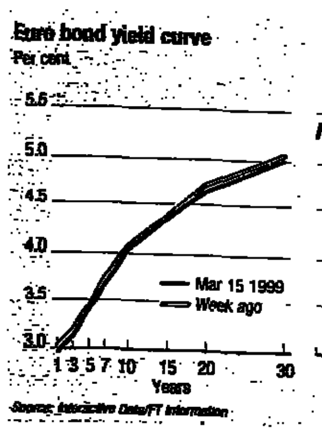
"The weakness of the German market explains 41 per cent of the underperformance of euro-zone equities in a global context since the start of the year," he said.

Telecoms were yesterday's loss leader, with Cable and Wireless' 9.3 per cent drop weighing on the market.

The FTSE Eurotop 300 index fell 7.76 to 1,252.01, while the FTSE Eurotop 100 declined 15.18 to 2,896.46. The FTSE Ebloc index of leading stocks in the euro-zone settled 3.07 higher at 1,039.58.

Euro bond yield curve

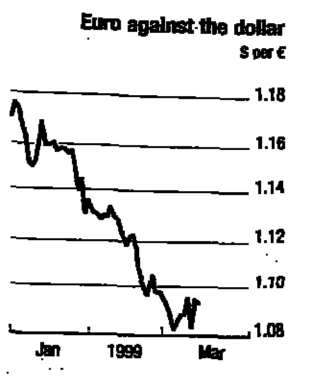
Per cent



Source: Interactive Data/FT Information

Euro against the dollar

$ per €



■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.960	96.960	+0.005	96.970	96.960	6434	133960
Jun	97.080	97.095	+0.015	97.095	97.080	49290	168027
Sep	97.120	97.125	+0.005	97.140	97.100	14826	142390
Dec	96.900	96.895	+0.010	96.910	96.885	5601	93500

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100 - rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.960	96.965	+0.010	96.965	96.960	1058	114454
Jun	97.085	97.095	+0.015	97.090	97.085	1098	106440
Sep	97.130	97.125	+0.005	97.130	97.120	136	93107
Dec	-	96.895	+0.010	-	-	0	83500

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100 - rate

Strike Price	Calls Mar	Calls Jun	Calls Sep	Calls Dec	Puts Mar	Puts Jun	Puts Sep	Puts Dec
96875								
97000	0.110	0.205	0.145	0.250	0.015	0.080	0.250	0.205
97125								
97250	0.025	0.085	0.070	0.130	0.180	0.210	0.425	0.335

Est. vol. total, Calls 0 Puts 1535. Previous day's open int., Calls 279016 Puts 160082

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2888.0	2904.0	-11.0	2904.0	2879.0	249	6003
Jun	2892.0	2903.0	-13.0	2901.0	2888.0	216	1122

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P
Mar	185	3	162	6	117	8	77	22	45	40	23	69	11	106	3	201
Apr	244	35	204	45	167	58	133	74	108	95	78	119	320	64	281	75

Est vol total 2 . Prev day's open interest total: 6,748 . Premiums shown are based on settlement prices.

OTHER INDICES

	Mar 15	Mar 12	Mar 11	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3585.22	3577.81	3565.80	3670.82	2433.07	3670.82	2433.07
DJ Euro Stx 50	3582.78	3574.73	3521.63	3685.36	2419.23	3685.36	2419.23
MSCI Europe	(u)	1230.52	1226.70	1315.55	906.59	1315.55	510.78

Source: Financial Times Information. *Subject to revision next day. (u) unavailable.

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5320. Calls are charged at 60p per minute at all times.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Mar 15 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1252.01	−0.61	−7.67	2.14	3.41	1292.78
FTSE Eurotop 100	2896.46	−0.52	−15.18	2.13	9.24	1041.71
FTSE Eurobloc 100	1039.58	+0.30	+3.07	1.93	0.74	1056.03
FTSE EuroMid	1227.56	−0.39	−4.84	2.70	3.44	1275.62
FTSE EuroMid Eurobloc	1189.09	+0.14	+1.67	2.30	1.98	1216.24
FTSE EuroMid Ex UK	1243.24	+0.17	+2.08	2.13	1.48	1267.78
FTSE Eurotop 300 Regions						
Eurobloc	1294.62	+0.27	+3.44	1.90	1.18	1323.57
UK	1206.07	−1.92	−23.58	2.53	7.87	1274.81
Europe Ex-Eurobloc	1220.07	−1.51	−18.71	2.40	5.63	1289.66
Europe Ex-UK	1279.00	+0.10	+1.22	1.94	0.91	1303.89
FTSE Eurotop Industry Sectors						
RESOURCES	966.49	−0.06	−0.58	3.01	3.69	1015.00
Mining	966.70	−0.58	−5.60	3.77	21.37	1011.41
Oil & Gas	930.10	−0.04	−0.35	2.98	2.82	955.91
BASIC INDUSTRIES	1098.82	+0.31	+3.41	2.70	2.55	1124.91
Chemicals	834.44	+0.55	+4.61	2.72	2.47	851.75
Construction & Bld Matls	1035.57	−0.61	−6.35	2.13	1.13	1045.84
Forestry & Paper	939.79	+0.69	+6.41	4.12	0.00	982.75
GENERAL INDUSTRIALS	1151.96	+0.17	+1.99	2.22	3.28	1179.96
Aerospace & Defence	808.84	−0.17	−1.40	2.15	2.89	822.91
Diversified Industrials	1003.54	−0.51	−5.12	2.03	0.00	1026.49
Electronic & Elect Equip	1042.01	+0.57	+5.95	1.85	5.15	1053.11
Engineering & Machinery	1032.73	+0.67	+6.91	2.96	4.18	1051.35
CYCLICAL CONS GOODS	1277.94	+0.51	+6.52	2.27	0.60	1313.72
Automobiles	938.38	+0.50	+4.67	2.29	0.53	947.62
Household Goods & Texts	1323.97	+0.58	+7.59	2.15	0.00	1335.27
NON-CYC CONS GOODS	1216.04	−0.54	−6.66	1.50	2.75	1252.30
Beverages	942.25	−0.52	−4.98	2.66	0.00	962.59
Food Producers & Processrs	914.36	−0.05	−0.46	1.74	1.41	926.51
Health	1003.95	−2.48	−25.56	1.18	0.00	1018.97
Packaging	816.43	−0.62	−5.09	1.10	0.00	817.45
Personal Care & Hse Prods	1089.00	−0.28	−3.06	0.91	0.00	1098.30
Pharmaceuticals	1112.39	−0.59	−6.60	1.19	3.25	1121.68
Tobacco	1332.61	−2.60	−35.63	3.74	7.11	1364.98
CYCLICAL SERVICES	1324.87	−1.36	−18.23	2.09	3.26	1367.04
Distributors	668.36	−1.75	−11.90	4.41	0.00	675.87
General Retailers	1099.02	−0.61	−6.79	2.23	1.27	1123.05
Leisure Entertmt & Hotels	1021.55	−2.36	−24.73	1.95	8.72	1045.49
Media & Photography	1223.63	−1.19	−14.70	1.84	5.20	1241.91
Rests, Pubs & Breweries	893.10	−2.14	−19.49	3.21	3.71	923.31
Support Services	1050.08	−1.29	−13.67	1.13	1.10	1062.29
Transport	948.82	−2.44	−23.71	2.68	1.81	968.13
NON-CYCLICAL SERVS	1364.83	−1.38	−18.86	1.41	0.48	1405.28
Food & Drug Retailers	1021.37	−0.33	−3.36	2.11	0.51	1037.47
Telecommunications Servs	1359.89	−1.58	−21.84	1.28	0.43	1380.61
UTILITIES	1398.83	−0.36	−5.03	3.18	5.17	1488.73
Electricity	1058.85	−0.05	−0.52	3.31	4.44	1096.86
Gas Distribution	1191.54	−1.15	−13.84	1.63	1.00	1313.00
Water	885.04	−0.71	−6.33	5.72	5.94	932.66
FINANCIALS	1348.65	−0.66	−8.97	2.49	5.57	1391.47
Banks	960.53	−0.85	−8.25	3.16	5.82	980.48
Insurance	1007.22	−0.15	−1.52	1.36	1.78	1021.20
Life Assurance	1140.76	−0.98	−11.30	1.74	0.96	1156.53
Investment Companies	996.29	+0.06	+0.64	1.78	0.00	1022.24
Real Estate	751.96	−3.20	−24.29	3.32	1.67	773.33
Speciality & Other Fin	988.34	−0.47	−4.63	2.27	0.00	1004.85
INFORMATION TECH	933.42	−1.78	−16.95	0.89	0.04	935.69
Information Tech Hardware	1022.57	−1.70	−17.70	1.00	0.00	1025.01
Software & Computer Serv	727.56	−2.06	−15.28	0.52	0.15	729.45

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Mar 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	37.9615	+0.0964	357 - 872	37.9872	37.7800	38.1130	−4.8	38.3770	−4.4	39.5513	−4.2
Denmark	(DKr)	7.4280	−0.0056	238 - 322	7.4327	7.4238	7.4302	−0.4	7.4344	−0.3	7.4525	−0.3
Greece	(Dr)	321.404	−0.0340	184 - 623	321.184	319.985	323.1990	−6.7	326.3437	−6.1	339.2568	−5.6
Hungary	(Forint)	253.558	+0.1370	306 - 808	253.850	252.480	256.3010	−13.0	261.4996	−12.5	283.3816	−11.8
Norway	(NKr)	8.5571	+0.0372	520 - 622	8.5630	8.5145	8.5878	−4.3	8.6383	−3.8	8.7913	−2.7
Poland	(Zloty)	4.3065	+0.0221	009 - 120	4.3156	4.2748	-	-	-	-	-	-
Romania	(Leu)	15239.54	+405.6200	329 - 580	-	-	-	-	-	-	-	-
Russia	(Rouble)	25.2807	−0.4365	190 - 423	25.8288	25.2190	-	-	-	-	-	-
Slovakia	(Koruna)	44.6680	−0.1347	043 - 316	44.8810	42.3345	-	-	-	-	-	-
Sweden	(SKr)	8.9073	+0.0354	994 - 152	8.9152	8.8401	8.9084	−0.1	8.9117	−0.2	8.9329	−0.3
Switzerland	(SFr)	1.6011	+0.0022	001 - 021	1.6022	1.5974	1.5984	2.0	1.5942	1.7	1.5769	1.5
UK	(£)	0.6749	+0.0051	745 - 752	0.6752	0.6680	0.6763	−2.5	0.6788	−2.3	0.6897	−2.2
Americas												
Argentina	(Peso)	1.0943	+0.0003	940 - 946	1.0956	1.0885	-	-	-	-	-	-
Brazil	(R$)	2.0575	−0.0300	460 - 690	2.0930	2.0413	-	-	-	-	-	-
Canada	(C$)	1.6732	+0.0069	722 - 742	1.6768	1.6620	1.6782	−2.2	1.6819	−2.1	1.7094	−2.2
Mexico	(New Peso)	10.6376	−0.0498	292 - 460	10.6567	10.5767	10.8374	−22.6	11.2262	−22.1	13.0432	−22.6
USA	($)	1.0944	-	941 - 947	1.0958	1.0887	1.0962	−2.0	1.0996	−2.0	1.1186	−2.2
Pacific/Middle East/Africa												
Australia	(A$)	1.7305	+0.0097	293 - 316	1.7362	1.7110	1.7331	−1.8	1.7380	−1.7	1.7635	−1.9
Hong Kong	(HK$)	8.4809	+0.0010	780 - 837	8.4863	8.4505	8.4962	−2.2	8.5340	−2.5	8.8322	−4.1
India	(Rs)	46.4204	−0.0211	035 - 372	46.5846	46.1739	46.8451	−11.0	47.5292	−9.6	51.0638	−10.0
Indonesia	(Rupiah)	9630.74	−437.2900	338 - 810	9886.00	9510.80	9893.59	−32.8	10489.38	−35.7	12920.21	−34.2
Israel	(Shk)	4.4092	+0.0160	036 - 148	4.4240	4.3715	-	-	-	-	-	-
Japan	(Y)	129.210	−1.2370	148 - 273	130.100	128.700	128.8690	3.2	128.2746	2.9	125.5433	2.8
Malaysia	(M$)	4.1587	+0.0002	410 - 442	4.1638	4.1372	-	-	-	-	-	-
New Zealand	(NZ$)	2.0539	+0.0057	520 - 558	2.0558	2.0391	2.0562	−1.3	2.0610	−1.4	2.0909	−1.8
Philippines	(Peso)	42.5175	−0.1622	417 - 933	42.7382	42.1327	42.8762	−10.1	43.5632	−9.8	46.8224	−10.1
Saudi Arabia	(SR)	4.1043	+0.0002	029 - 057	4.1099	4.0830	4.1172	−3.8	4.1438	−3.8	4.2645	−3.9
Singapore	(S$)	1.8808	−0.0150	797 - 818	1.8944	1.8764	1.8786	1.4	1.8760	1.0	1.8759	0.3
South Africa	(R)	6.8042	+0.0463	982 - 101	6.8190	6.7812	6.8814	−13.6	7.0060	−11.9	7.5353	−10.7
South Korea	(Won)	1346.66	−3.2200	465 - 867	1352.33	1344.65	-	-	-	-	-	-
Taiwan	(T$)	36.2192	−0.0147	819 - 565	36.2680	36.0740	36.3952	−5.8	36.6839	−5.1	37.7592	−4.3
Thailand	(Bt)	40.8759	−0.0200	099 - 418	40.9418	40.6704	41.0268	−4.4	41.3800	−4.9	43.1231	−5.5
UAE	(Dirham)	4.0197	+0.0002	184 - 209	4.0250	3.9750	4.0275	−2.3	4.0431	−2.3	4.1232	−2.6

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

BONDS

INTEREST RATE SWAPS

Mar 15	Euro-E Bid	Euro-E Ask	£ Stlg Bid	£ Stlg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.06	3.09	5.42	5.45	1.53	1.57	5.28	5.31	0.22	0.25
2 year	3.12	3.16	5.30	5.33	1.76	1.84	5.48	5.51	0.33	0.36
3 year	3.28	3.32	5.33	5.37	1.99	2.07	5.58	5.61	0.57	0.60
4 year	3.46	3.50	5.33	5.37	2.19	2.27	5.65	5.68	0.84	0.87
5 year	3.65	3.69	5.30	5.34	2.37	2.45	5.71	5.74	1.11	1.14
6 year	3.83	3.87	5.30	5.34	2.55	2.63	5.76	5.79	1.38	1.41
7 year	3.99	4.03	5.29	5.33	2.72	2.80	5.81	5.84	1.63	1.66
8 year	4.14	4.18	5.29	5.33	2.88	2.96	5.86	5.89	1.82	1.85
9 year	4.28	4.32	5.30	5.34	3.03	3.11	5.90	5.93	1.97	2.00
10 year	4.37	4.41	5.31	5.35	3.17	3.25	5.94	5.97	2.10	2.13
12 year	4.52	4.56	5.32	5.37	3.40	3.50	6.00	6.03	2.32	2.36
15 year	4.72	4.76	5.33	5.38	3.65	3.75	6.09	6.12	2.57	2.62
20 year	4.94	4.98	5.34	5.39	3.90	4.00	6.20	6.23	2.77	2.82
25 year	5.07	5.11	5.34	5.40	4.10	4.20	6.20	6.23	2.83	2.88
30 year	5.13	5.17	5.33	5.40	4.20	4.30	6.09	6.12	2.88	2.94

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor. £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor. Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Brokers Ltd.

FTSE Eurobloc 100

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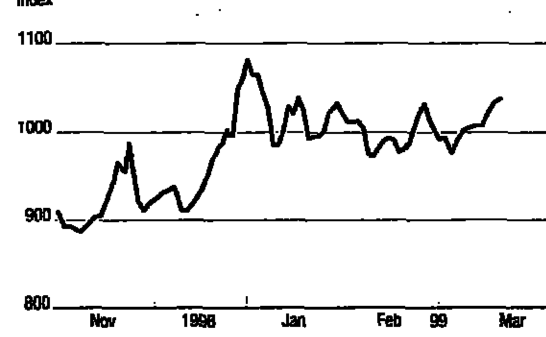


Source: FTSE International

EURO-ZONE BONDS

Mar 15	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	101.970	3.14	−0.01	+0.01	+0.13
Denmark	01/02	4.750	AA+	103.923	3.26	−0.01	+0.02	+0.15
Sweden	02/01	5.000	AA+	103.310	3.16	−0.01	+0.01	+0.15
Greece	11/06	8.750	BBB	114.227	4.51	+0.00	+0.13	+0.83
■ SUPRANATIONALS								
ADB	10/07	5.500	AAA	107.424	4.44	−0.01	+0.15	+0.63
EIB	04/08	5.000	AAA	106.026	4.19	−0.01	+0.17	+0.26
Eurofima	12/09	5.625	AAA	108.407	4.61	−0.01	+0.19	+0.57
World Bank	04/05	7.125	AAA	117.434	3.85	+0.00	+0.08	+0.31
■ UTILITIES								
EDF	10/03	3.750	n/a	101.386	3.41	−0.01	−0.01	+0.16
TEPCO	02/03	4.750	AA	103.690	3.72	−0.01	−0.05	+0.47
Quebec Hydro	03/08	5.375	A+	104.650	4.73	−0.01	+0.16	+0.80
Norsk Hydro	10/99	7.250	A	101.937	3.53	+0.01	+0.02	+0.58
■ FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	106.855	4.56	−0.03	+0.23	+0.46
OKB	09/07	5.750	AAA	110.582	4.23	+0.04	+0.16	+0.42
Credit Local	04/08	5.250	AA+	105.478	4.50	−0.01	+0.16	+0.57
Abbey Natl	01/09	5.000	AA−	101.166	4.84	−0.01	+0.19	+0.80
■ INDUSTRIALS								
Unilever	10/01	5.125	AAA	104.209	3.37	−0.03	−0.02	+0.36
McDonalds	03/08	5.125	AA	104.762	4.47	−0.01	+0.16	+0.54
Philip Morris	06/08	5.625	A	104.205	5.04	−0.01	+0.23	+1.11
BAT Ind Fin	07/06	5.375	A−	102.618	4.94	+0.00	+0.12	+1.26
■ PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	105.706	3.25	+0.00	+0.02	+0.24
Eurohypo AG	01/04	5.000	n/a	106.069	3.60	+0.00	+0.10	+0.21
Bayer Vereins	01/06	6.000	n/a	111.929	3.97	+0.00	+0.19	+0.29
Depfa	07/08	4.750	n/a	103.357	4.30	+0.00	+0.22	+0.37
■ HIGH YIELD								
Geberit	04/07	10.125	B+	114.750	6.29	+0.00	−2.03	+2.48
Colt Telecom	11/07	8.875	n/a	106.939	7.76	−0.04	−0.14	+3.95
Impress Metal	05/07	9.875	B	110.750	7.43	+0.09	−2.07	+3.62
Remy Cointreau	07/05	10.000	B+	100.500	9.89	−0.11	−1.36	+6.35

Standard & Poor's ratings. Source: Interactive Data/FT Information.

FTSE EUROTOP 300

Name	Price (Euro)	Chge + or -	Mkt cap Euro(bn)	Vol (m)	Yld
AEROSPACE & DEFENCE					
Brit Aero	5.97	−2	5.2	5.2	1.8
Smiths Ind	15.94	+.1	5.0	0.6	2.3
Thomson CSF	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUTOMOBILES					
[illegible]					
BANKS					
[illegible]					
BEVERAGES					
[illegible]					
CHEMICALS					
[illegible]					
CONSTRUCTION & BUILDING					
[illegible]					
DISTRIBUTORS					
[illegible]					
DIVERSIFIED INDUSTRIALS					
Investor A	37	−2	2.9	-	3.3
Investor B	37.67	−.4	4.3	0.2	3.3
[illegible]					
ELECTRICITY					
[illegible]					
ELECTRONIC & ELECTRICAL EQUIPT					
[illegible]					
ENGINEERING & MACHINERY					
[illegible]					
FOOD & DRUG RETAILERS					
[illegible]					
FOOD PRODUCERS & PROCESSORS					
[illegible]					
FORESTRY & PAPER					
[illegible]					
GAS DISTRIBUTION					
[illegible]					
GENERAL RETAILERS					
[illegible]					
HEALTH					
[illegible]					
HOUSEHOLD & TEXTILES					
Adidas Salom	78.95	+.8	3.5	-	1.1
Christian Di	113.29	+.9	5.1	-	2.2
[illegible]					
IT HARDWARE					
[illegible]					
INSURANCE					
[illegible]					
INVESTMENT COMPANIES					
[illegible]					
LEISURE ENTERTAINMENT & HOTELS					
[illegible]					
LIFE ASSURANCE					
[illegible]					
MEDIA & PHOTOGRAPHY					
[illegible]					
MINING					
[illegible]					
OIL & GAS					
[illegible]					
PACKAGING					
[illegible]					
PERSONAL & HOUSEHOLD PRODUCTS					
[illegible]					
PHARMACEUTICALS					
[illegible]					
Sanofi	163.40	−7.8	17.7	0.2	0.7
Schering	118.60	+.7	7.6	-	1.2
SmKl Bchm	12.66	−.1	70.9	6.2	1.4
Synthelabo	211	−5.0	10.2	0.1	0.4
Zeneca	35.73	−3	33.9	2.7	1.9
REAL ESTATE					
[illegible]					
RESTAURANTS PUBS & BREWERIES					
[illegible]					
SOFTWARE & COMPUTER SERVICES					
[illegible]					
SPECIALITY & OTHER FINANCE					
[illegible]					
SUPPORT SERVICES					
[illegible]					
TELECOMMUNICATION SERVICES					
[illegible]					
TOBACCO					
[illegible]					
TRANSPORT					
[illegible]					
WATER					
[illegible]					

Notes

Price data and market capitalisations supplied by FTSE International. Market capitalisation figures are based on shares used in index calculations. Shares are not counted where foreign ownership restrictions apply. Market caps may include secondary lines not eligible as constituents. Stocks in bold type are domiciled in Euro countries. Trading Volumes and yields derived from local domestic markets and supplied by Financial Times Information. Company classifications are based on those used for the FTSE Eurotop share indices.

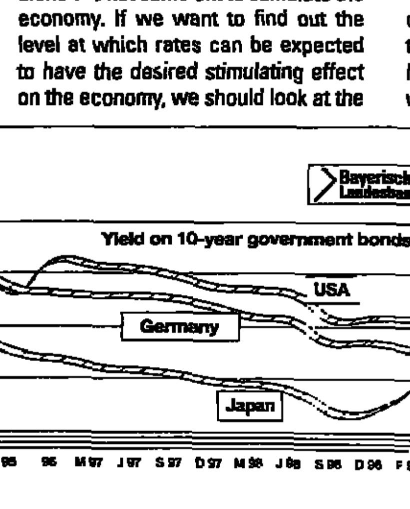
SPOTLIGHT

OPTIMISM ON THE EVE OF THE EURO'S LAUNCH

The lowering of the US discount rate and the federal funds rate provided the basis for concerted rate cuts in euroland. The "euro key rate" should keep at its current level until further notice.

The international capital markets are more or less back to normal. This is to a large extent due to the three easing steps taken in the United States and the alignment of the eleven EMU members' money rates to the low level *prevailing in the core countries. The* European central banks' concerted rate cuts in early December provided the basis for a smooth launch of the euro in 1999. The current rate of 3 per cent fits in perfectly with the current economic environment and the degree of stability achieved throughout Europe. The EU's statistical office (Eurostat) recorded a 2.7 per cent rise in GDP in the euro zone in the third quarter of 1998 and predicts 2 per cent growth for 1999. Inflation was 0.8 per cent at last reading. Although it is expected to increase slightly this year, it will remain below 2 per cent.

The loosening of the monetary reins will help to allay the growing fear of a "credit crunch", but low rates alone are no guarantee *for faster growth. This is particularly* evident in the case of Japan, which has decoupled its interest rates from the international trend, keeping them artificially low.



The Japanese dilemma

Although Japanese rates have dropped to the lower end of the scale – 10-year government bonds yield only slightly more than two per cent, and the discount rate is a puny 0.5 per cent – the world's No. 2 economy is still facing serious problems which interest-rate policy cannot cure. Even public spending programmes running into the billions have not had the desired effect so far. The economy keeps shrinking. Japan's gross domestic product, which expanded at an average annual rate of almost 4.5 per cent in real terms in the 1980s, showed a decline last year. The last time GDP growth was negative was in 1974, the year of the international oil crisis. And there are no signs that 1999 will bring a change for the better.

Japan's dilemma shows in an impressive manner that low interest rates alone are not sufficient to stimulate the economy. If we want to find out the level at which rates can be expected to have the desired stimulating effect on the economy, we should look at the real interest rate. In Germany and – *following the convergence of interest* rates – in the eleven countries belonging to the first wave of EMU participants, the real interest rate in terms of the yield on 10-year government bonds is currently about 3 per cent. What this means becomes clear if we recall the trend of Germany's *real interest rate* in the past few years. This rate, in terms of the yield on 10-year public bonds less inflation, has averaged 4.4 per cent since the mid-1980s. Its last peak was recorded in 1990 at 6.0 per cent, its last low at 2.3 per cent in 1993. The current real interest rate is therefore in the lower range of the multi-year average. A comparison of the real interest rate in Germany and economic growth gives the following picture: GDP has grown at an average rate of 2.4 per cent since the mid-1980s. Growth rates ranged between 5.7 per cent in 1990 and a negative 1.2 per cent in 1993. The real interest rate was thus *at the upper end of the scale when the economy peaked and at the lower end when it troughed.*

Stable price trend

The real interest rate is obviously determined more by prices than by the level of economic activity. We have seen prices rise even at times when the economy did not show any signs of overheating. Inversely, a booming economy does not necessarily cause a spurt in prices. In 1990, for example, when the economy was booming, consumer inflation increased by only 2.7 per cent; in the 1993 recession year, on the other hand, it accelerated to 4.5 per cent.

The current real interest rate of about 3 per cent, 1.4 points less than the average for the period since the mid-1980s, merely shows that rates have been following the stable price trend. As far as the economy's current *pace is concerned, there is a good* chance that the fundamentals will remain more or less unchanged this year. The acceleration in growth eagerly awaited throughout the world will therefore be anything but spectacular. A major flare-up of inflation *looks unlikely.* The real interest rate can therefore be expected to remain stable.

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FT

Israeli lending rules tightened

By Judy Dempsey in Jerusalem

The Bank of Israel has tightened the rules on bank lending to finance leveraged buy-outs of other banks.

Under the regulations, banks will not be allowed to extend credit totalling more than 5 per cent of their equity, or 5 per cent of the equity of the bank being acquired. Currently, credit to a borrower or a group of borrowers cannot exceed 15 or 30 per cent respectively of a bank's capital.

Yitzhak Tal, the BOI's supervisor, said the latest rules were aimed at increasing competitiveness in the banking system as well as protecting the sector's financial strength by regulating banking interdependence.

The BOI's measures coincide with government plans to sell its controlling stake in Israel Discount Bank, the country's third largest, and its remaining stake in Union Bank of Israel. Banking analysts said the BOI wanted to avoid a repetition of the way Bank Hapoalim, the largest, was privatised.

Hapoalim was bought by a consortium led by the Arison group. However, part of the acquisition was financed by loans from other Israeli banks, with collateral provided by shares in Hapoalim – precisely what the BOI wants to avoid in future. The concern is that such cross-holding structures could reduce competition.

Although the rules will only apply to transactions exceeding Shk25m, banks lending smaller amounts will be affected if they finance more than 50 per cent of the price and the buyer relies on the acquired bank's earnings to repay the debt.

European prices little changed

BENCHMARK BONDS

By Arkady Ostrovsky in London and John Labate in New York

Most government bond markets were quiet yesterday, lacking direction and contemplating the events ahead.

US Treasury prices had eased by midday on a slow day for fresh economic reports. The 30-year benchmark bond was down $\frac{3}{32}$ to 95$\frac{?}{32}$ by early afternoon, sending the yield up to 5.536 per cent.

Among shorter-term issues the 10-year note was ⅛ lower at 96⅞, yielding 5.164 per cent, and the two-year note was down $\frac{1}{32}$ to 100, yielding 4.999 per cent.

Treasury prices have recovered from recent weakness on the belief that the Federal Reserve will not raise interest rates at its next meeting later in the month. The market remains tightly range-bound, however. Later in the week new figures on industrial production, consumer prices and the trade balance will be released.

Japanese government bonds slid yesterday after Masaru Hayami, governor of the Bank of Japan, urged the Deposit Insurance Corporation to issue government-backed bonds to repay its loans from the BoJ.

His comments sparked fresh concern about oversupply in the Japanese market and pushed the yield on the 10-year No 203 JGB up to 1.785 per cent from 1.715 per cent on Friday.

After last week's excitement sparked by the resignation of German finance minister Oskar Lafontaine, which was welcomed by most financial institutions, European markets seemed to be marking time.

Analysts said the resignation of Mr Lafontaine, who had put pressure on the European Central Bank to cut interest rates, was not enough in itself to make the ECB cut rates.

"Mr Lafontaine's resignation is good news but the focus remains on fundamentals," said Lorenzo Codogno at Bank of America.

However, the release of German industrial orders data, which showed a 1.8 per cent rise in January, the first seasonally adjusted rise in six months, was all but ignored by investors.

The 10-year German bund future, the benchmark for the euro-zone, closed little changed at 113.79.

One of the main questions for the euro-zone will be the strength of economic growth in the first quarter, economists said.

UK gilts also closed little changed, with the June 10-year future closing at 116.64. The focus this week will be on the release tomorrow of the minutes of the last meeting of the Bank of England's Monetary Policy Committee.

Wessex Water taps sterling

NEW ISSUES

By Vincent Boland

UK companies have been unusually visible in the market in the past two trading days, tapping demand in both sterling and the euro for corporate paper. Bankers said much of the demand was sparked by the marketing of new personal equity plans to UK retail investors concentrating on the corporate bond market.

"The market is very well bid for corporate paper at the moment," said a banker at Barclays Capital. "There has not been much in the way of corporate bonds suitable for PEPs for some time, and retail demand is fuelling institutional interest."

Following Burmah Castrol and Royal Bank of Scotland in euros and Reuters in sterling, Wessex Water made its debut yesterday with a £300m 10-year issue priced to yield 135 basis points over the 10-year gilt. The banker at Barclays, lead manager, said the issue met good demand from investors looking for returns in that part of the yield curve.

Wessex is the latest water company to tap the market in recent months following moves by the industry regulator to cut prices. Demand for the paper has been strong, based on what bankers said was the generally good outlook for the sector.

The £200m of five-year paper from Reuters on Friday was its first and met heavy demand from PEP investors. The bonds were priced to yield 70 basis points over the relevant gilt.

On an otherwise quiet day, Argentina returned to the US dollar sector with $300m of five-year floating-rate notes – a rarity from a sovereign borrower.

"The issue made sense because there are a lot of investors with interest in a more defensive product to play on the likelihood of a rate rise from the US Federal Reserve," said lead manager Barclays Capital.

The notes, to be priced at 600 basis points over three-month dollar Libor, met demand from US and European investors.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Republic of Argentina‡	300	(a)	99.038R	Apr 2004	0.75R	-	Barclays Capital
Freya Funding Corp(b)‡	216	(b1,l)	100.00R	Feb 2004	0.35R	-	Warburg Dillon Read
DSL Bank(c)	200	5.75	100.359R	Feb 2005	0.275R	+54(4%Feb04)	CSFB/Nomura Intl
EUROS(e)							
TDA-7(d)‡	1.051bn	-	-		-	-	CAI/EBN/SG
SPOR Funding plc(f)‡	257	-	-	Jan 2004	-	-	IBJ/IMI
Dijon Finance 1999-1(g)‡	72	-	-	Mar 2011	-	-	Goldman Sachs Intl
STERLING							
Wessex Water plc	300	5.875	99.183R	Mar 2009	0.35R	+135(Dec09)	Barclays/HSBC Markets
SWISS FRANCS							
GECC	300	2.75	102.35	Apr 2007	2.625	-	CSFB/Merrill Lynch
Abbey Natl Trsy Services(h)	100	2.25	100.65	Apr 2005	2.25	-	Deutsche/Warburg

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +575bp. b) FSA-guaranteed asset backed. Average life: 12 mths. b1) 1-mth Libor +40bp. c) Fungible with $1.3bn. Plus 55 days accrued. c) 4-tranche deal secured on Spanish mortgages. 10% clean-up call e) Spread relates to German govt bonds unless stated. f) 2-tranche deal secured on portfolio of Italian assets from 17 banks. Amortises after 18 mths. g) Secured on portfolio of French business loans. h) Fungible with SFr200m launched in March 1998. No accrued. l) Long 1st coupon.

Euroclear, GSCC in netting alliance

By Arkady Ostrovsky

Euroclear, the Brussels-based clearing and settlement system for internationally traded securities, has announced an alliance with the Government Securities Clearing Corporation of the US to provide netting services for repo and cash trades.

Euroclear said it was responding to the growing demand for a centralised repo netting system – matching the deals and paying the balance – for sovereign bonds, which would help clients eliminate counterparty risk and reduce costs. Repo trades, the repurchasing of securities, total some $20,000bn, or almost half all Euroclear's annual turnover.

Denis Peters, a vice-president at Euroclear, said the fastest route to get the service to the market was through a link with GSCC, which has expertise in multilateral netting services.

"The synergies between the two organisations are perfect," Euroclear said. "Our experience in European cross-border bond settlement and collateral management combines well with GSCC's expertised in multilateral repo neting and risk management in the US."

Euroclear did not say how the alliance would be structured, but it is expected to make an announcement in the next month. The service will initially be limited to euro-denominated government bonds, but could be extended to other securities and currencies.

It is understood that Euroclear and GSCC were also in unsuccessful talks with the London Clearing House over forming an alliance.

Tokyo Sowa to securitise mortgages

By Gillian Tett in Tokyo

Tokyo Sowa, a regional bank, is to issue Japan's first residential mortgage-backed bonds following recent changes in legislation. The bank expects foreign investors to buy around two-thirds of the issue, which will cover about a tenth of Tokyo Sowa's Y300bn portfolio of residential mortgages.

The path-breaking move will be closely watched by the markets, since Japan has not had a residential mortgage-backed securities market, in contrast to other countries, such as the US.

However, some western investment banks hope the mortgage-backed securities market could be poised to surge. One reason is that Housing Loan Corporation, the state lender with 35 per cent share of the mortgage market, is expected to be allowed to issue mortgage-backed bonds this year.

At present, the HLC largely finances its Y70,000bn portfolio with loans from the Trust Fund Bureau, another state body, which manages postal savings and pension funds. However, the HLC is now actively seeking to start raising funds from the capital markets as well.

In the private sector, Tokyo Sowa's move is likely to be copied by competitors such as Sumitomo Bank and Sanwa Bank. Sanwa said: "We are preparing for this and will probably issue bonds soon."

Securitisation is a particularly attractive option for many Japanese banks, since most are now seeking to cut their assets and thus improve their capital adequacy ratio. Tokyo Sowa's ratio, for example, is around 5.1 per cent, compared with the 4 per cent required for domestically operating banks.

Recently Japanese banks have been aggressively securitising corporate loans but securitising residential mortgages is potentially easier, since they are considered relatively risk-free. Default rates in the sector are around a tenth of the US level. Moody's has assigned an Aaa rating to Tokyo Sowa's debt.

Tetsuo Osada, deputy president of Tokyo Sowa, said: "We have taken this move because we want to use our assets more effectively and because we want to improve our ratio ... we expect that maybe two-thirds will be sold to foreign investors."

However, Mr Osada admitted the market still faced logistical problems. The government has changed the law to allow banks to securitise mortgages without borrowers' consent but historical data on borrowers is insufficient, and the property collateral behind loans does not always belong to the bank in cases of default.

Yoshiaki Sasamura, a JP Morgan vice-president in Tokyo, said: "We think residential mortgages could be one area of growth – default rates appear to be low and the (bonds) are secured with tangible assets. The challenge lies in collecting data that investors can rely on ... also it is not easy to achieve economic transfer of the value of the mortgages under the current legal framework."

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Mar 15	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	106.6087	4.90	-0.14	-0.20	+0.01	-0.10
	08/08	8.750	124.2951	5.42	-0.15	-0.22	+0.12	-0.35
Austria	03/01	5.250	104.0200	3.12	-	-0.03	+0.07	-0.91
	01/08	5.000	106.2400	4.14	-0.02	-0.06	+0.15	-0.81
Belgium	03/01	5.000	103.7100	3.07	-0.03	-0.08	+0.06	-0.95
	03/09	3.750	95.0400	4.24	-0.03	-0.03	+0.20	-0.72
Canada	12/00	5.000	99.9300	5.05	-0.01	-0.18	+0.08	+0.09
	06/08	6.000	106.1300	5.15	-0.03	-0.18	-	-0.23
Denmark	11/00	9.000	108.8000	3.40	-0.04	-0.14	-0.15	-0.77
	11/09	6.000	113.1500	4.42	-0.04	-0.07	+0.28	-0.72
Finland	05/00	4.000	101.2060	2.99	-0.01	-0.07	-	-0.58
	04/09	5.000	106.0900	4.24	-0.02	-0.06	+0.22	-0.64
France	07/00	4.000	101.2600	2.99	-0.03	-0.09	-0.02	-0.93
	04/06	7.250	121.8200	3.70	-0.01	-0.08	+0.17	-0.91
	04/09	4.000	99.0800	4.11	-0.02	-0.05	+0.21	-0.79
	04/29	5.500	107.1000	5.04	+0.01	-0.03	+0.27	-0.41
Germany	05/01	5.000	104.0800	3.03	+0.02	-0.04	+0.05	-0.77
	01/06	6.000	112.9000	3.81	-0.01	-0.06	+0.17	-0.86
	01/09	3.750	97.8800	4.01	-0.01	-0.03	+0.16	-0.80
	07/28	4.750	95.1000	5.01	+0.01	-0.04	+0.24	-0.43
Greece	03/00	9.800	100.5825	9.16	+0.01	-0.29	-	-5.42
	01/09	6.300	102.7500	5.92	+0.02	-0.11	-0.12	-4.37
Ireland	10/01	6.500	108.1200	3.17	-	-0.08	+0.04	-1.45
	08/06	6.000	113.8000	4.19	-0.01	-0.04	+0.18	-0.89
Italy	07/01	4.500	102.9400	3.15	+0.02	-0.04	+0.08	-1.33
	07/03	4.500	103.8200	3.51	+0.04	-0.04	+0.11	-1.18
	05/09	4.500	102.1500	4.24	+0.03	-0.02	+0.23	-0.89
	11/27	6.500	119.0000	5.21	+0.02	-0.01	+0.29	-0.44
Japan	12/00	6.900	111.5800	0.25	-0.01	+0.05	-0.33	-0.34
	12/03	4.100	114.4170	0.99	+0.08	+0.12	-0.40	-0.19
	06/08	1.800	100.0790	1.79	+0.07	+0.15	-0.27	+0.18
	09/18	2.300	94.0260	2.70	+0.06	+0.16	-0.21	+0.26
Netherlands	01/01	9.000	110.4200	3.02	-0.05	-0.06	-	-0.80
	07/09	3.750	96.7800	4.14	-0.01	-0.04	+0.21	-0.72
New Zealand	02/01	8.000	105.4881	4.90	-0.14	-0.17	-0.05	-2.56
	07/09	7.000	109.9741	5.83	-0.08	-0.10	+0.27	-0.98
Norway	05/01	7.000	104.2500	4.90	+0.01	-0.08	+0.14	+0.59
	05/09	5.500	104.7500	4.89	-0.08	-0.10	+0.24	-0.34
Portugal	03/00	5.375	102.3400	2.97	+0.03	-0.02	-0.12	-1.04
	06/08	5.375	108.6200	4.23	+0.01	-0.04	+0.21	-0.79
Spain	01/01	5.000	103.6100	2.97	-0.01	-0.07	+0.02	-1.10
	07/09	5.150	105.3900	4.48	-0.02	-0.04	+0.48	-0.56
Sweden	05/00	10.250	107.4821	3.31	+0.01	-0.03	+0.04	-1.35
	05/08	6.500	115.3635	4.42	+0.04	-	+0.27	-0.89
Switzerland	06/00	4.500	103.6900	1.42	-0.01	+0.01	+0.01	-0.06
	01/08	4.250	116.2500	2.20	+0.01	-0.02	-0.16	-0.46
UK	11/01	7.000	105.1600	4.89	-	-0.06	+0.21	-1.84
	12/03	6.500	107.6200	4.68	-0.01	-0.05	+0.24	-1.41
	12/09	5.750	110.2300	4.53	-0.02	-0.06	+0.04	-1.44
	12/28	6.000	123.4000	4.55	-	-0.02	+0.17	-1.34
US	01/01	4.500	99.0932	5.01	-	-0.12	+0.04	-0.49
	02/04	4.750	98.5385	5.07	-0.01	-0.15	-	-0.56
	11/08	4.750	96.9080	5.16	-	-0.13	-0.03	-0.49
	02/29	5.250	95.9381	5.53	-0.01	-0.07	-0.08	-0.38

London closing. * New York closing. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Mar 15	Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.43	+1.39	+0.27
Austria	4.28	+0.24	-0.88
Belgium	4.25	+0.21	-0.91
Canada	5.16	+1.12	-
Denmark	4.39	+0.35	-0.77
Finland	4.25	+0.21	-0.91
France	4.12	+0.08	-1.04
Germany	4.04	-	-1.12
Greece	5.97	+1.93	+0.81
Ireland	4.26	+0.22	-0.90
Italy	4.27	+0.23	-0.89
Japan	1.83	-2.21	-3.33
Netherlands	4.15	+0.11	-1.01
New Zealand	5.83	+1.79	+0.67
Norway	4.89	+0.85	-0.27
Portugal	4.30	+0.26	-0.86
Spain	4.33	+0.29	-0.83
Sweden	4.44	+0.40	-0.72
Switzerland	2.38	-1.66	-2.78
UK	4.65	+0.61	-0.51
US	5.16	+1.12	-

Source: Interactive Data/FT Information
London closing. * New York closing.
Annualised yield basis.

EMERGING MARKET BONDS

Mar 15	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	98.1596	8.50	-0.07	-0.76	+3.48
Poland	07/04	7.125	BBB-	103.0772	6.41	-0.05	+0.59	+1.34
Russia	06/07	10.000	n/a	26.0500	43.20	+1.24	+3.76	+38.06
LATIN AMERICA								
Argentina	09/27	9.750	BB	85.0000	11.55	-0.12	-0.05	+6.06
Brazil	05/27	10.125	B+	68.2500	14.95	-0.41	-0.42	+9.46
Mexico	05/26	11.500	BB	111.2500	10.26	-0.25	-0.54	+4.78
ASIA								
China	07/06	7.750	BBB+	100.5000	7.65	-0.02	-0.07	+2.55
Philippines	10/16	8.750	BB+	91.0000	9.84	-0.01	+0.44	+4.55
Thailand	04/07	7.750	BBB-	101.5000	7.50	-0.08	-0.44	+2.38
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	102.1751	7.33	+0.01	+1.33	+2.36
South Africa	10/06	8.375	BB+	99.0263	8.55	-0.02	-0.63	+3.45
Turkey	09/07	10.000	B	91.2100	11.66	-0.03	-0.46	+6.54
BRADY BONDS								
Argentina	03/23	5.750	BB	70.6250	9.01	-0.13	-0.09	+3.59
Brazil	04/14	5.000	B+	60.6730	13.75	-0.32	-0.61	+8.50
Mexico	12/19	6.250	BB	78.6250	8.45	-0.09	-0.03	+3.10
Venezuela	03/20	6.750	B+	58.3750	10.84	-0.10	-0.04	+3.48

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110.75	110.70	+0.15	110.97	110.50	31,216	37,444
Jun	94.82	94.87	+0.13	95.21	94.70	17,964	63,206

LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
97	-	-	0.26	-	-	-
98	-	-	0.13	3.45	3.49	-
99	-	-	0.06	4.45	4.45	-
100	-	-	0.03	5.45	5.45	-

Est. vol. total, Calls n/a Puts n/a. Previous day's open int., Calls n/a Puts n/a

Germany

NOTIONAL EURO BUND FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113.95	113.79	+0.01	114.14	113.66	433,650	563,844
Sep	114.05	113.97	-0.04	114.05	113.95	635	453

NOTIONAL EURO BUND (BOBL) FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108.83	108.70	-0.06	108.87	108.67	122,706	231,673

NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	101.58	+0.09	-	-	0	897

NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	101.06	+0.17	-	-	0	545

Also traded on APT. All Open Interest figs. are for previous day.

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	112.93	112.98	+0.14	113.26	112.88	5291	36878

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	116.20	116.07	+0.08	116.42	115.98	28,817	15,300
Jun	97.66	97.50	+0.20	97.69	97.36	14,090	16,137

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	108.20	-0.07	-	-	0	63
Jun	-	107.93	-0.07	-	-	0	0

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	116.15	116.09	+0.01	116.15	116.09	111	6600
Jun	116.85	116.64	-	116.85	116.55	16159	76141

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11600	1.75	2.44	1.11	1.80
11650	1.46	2.18	1.32	2.04
11700	1.24	1.94	1.60	2.30
11750	1.02	1.71	1.88	2.57
11800	0.83	1.51	2.19	2.87
11850	0.63	1.32	2.49	3.18

Est. vol. total, Calls 625 Puts 136. Previous day's open int., Calls 10856 Puts 9902

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	121-26	121-22	-	121-31	121-19	7,751	63,650
Jun	121-10	121-07	-	121-18	121-03	258,513	572,407
Sep	120-22	120-27	-	-	-	2,704	15,083

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	130.45	130.34	-	130.50	130.30	1180	n/a
Sep	-	129.94	-	-	-	0	n/a

Euro

€ BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	107.60	107.12	+0.30	107.60	107.60	1	142

US CORPORATE BONDS

Mar 12	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	104.5923	5.69	-0.05	+0.30	+5.69
NY Tel	08/25	7.00	A+	99.1759	7.06	-0.03	+0.12	+1.53
CWE	05/08	8.00	BBB	112.4411	6.19	-0.05	+0.24	+1.04
FINANCIALS								
GECC	05/07	8.75	AAA	117.5039	6.00	-0.05	+0.28	+0.85
Banc One	08/02	7.25	A	104.2854	5.82	-0.08	+0.25	+5.82
CNA Fin	01/18	6.95	A-	93.5569	7.59	-0.04	+0.59	+2.06
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.0161	5.67	+0.01	-0.16	+1.16
Wal Mart	05/02	6.75	AA	103.7963	5.42	-0.06	+0.41	+5.42
Dayton Hud	08/21	9.70	A-	132.5670	6.82	-0.04	+0.25	+1.29
AGENCIES								
FHLMC	04/07	7.14	N/A	108.5494	5.79	-0.05	+0.31	+0.64
SLMA	03/00	7.50	N/A	102.1453	5.22	+0.01	+0.11	+0.71
FNMA	02/18	8.95	N/A	132.0368	6.07	-0.04	+0.22	+0.54
FFCB	06/06	8.95	N/A	118.8630	5.71	-0.05	+0.29	+0.56
HIGH YIELD								
Stone Cont	02/01	9.88	B	100.8750	0.00	-	-	-
AK Stl	12/01	9.13	BB-	105.2500	0.00	-	-	-
Pacalta	08/04	10.75	B-	84.0000	0.00	-	-	-

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
Prime rate	7¾	One month	-	Two year	5.02
Broker loan rate	6½	Two month	-	Three year	4.98
Fed.funds	5	Three month	4.60	Five year	5.08
Fed.funds at intervention	-	Six month	4.69	10-year	5.17
		One year	4.75	30-year	5.54

INTERNATIONAL BONDS

Mar 15	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
US$								
EIB	04/07	7.250	AAA	108.6779	5.87	-0.01	+0.26	+0.75
ABN Amro	08/07	7.125	AA-	104.4962	6.40	-0.01	+0.13	+1.28
Quebec	01/07	7.000	A+	108.3170	5.98	-0.01	-0.04	+0.86
Citicorp FRN	02/04	5.066	AA-	99.1596	5.26	-0.01	-0.43	+0.19
C$								
Bayer L-Bk	08/04	9.500	AAA	117.5882	5.62	-0.07	+0.07	+0.20
Toronto (M of)	05/04	8.500	AA+	112.8611	5.57	-0.07	+0.11	+0.15
Bell Canada	07/99	10.625	A+	101.5138	5.49	-0.04	+0.10	+1.23
Deutsche B FRN	09/02	5.875	AA+	100.6687	5.86	-0.07	+0.07	+0.28
£								
EIB	12/07	7.625	AAA	116.0916	5.27	-0.02	+0.19	+0.51
Dresdner Bk	12/07	7.750	AA-	111.2879	6.04	-0.02	+0.18	+1.28
British Gas	03/00	7.625	A+	101.9900	5.58	-0.02	+0.04	+0.65
Abbey Nat FRN	02/02	5.587	AA	100.0269	4.40	+0.01	+0.17	-0.40
SFR								
EIB	01/08	3.750	AAA	104.3714	3.17	+0.01	-0.17	+0.94
Brit Columbia	02/02	3.250	AA	103.7301	1.92	-0.01	-	+0.27
Hydro-Quebec	05/01	6.750	n/a	108.7270	2.57	-	+0.01	+1.04
Gen Elect	09/01	1.711	n/a	99.7757	1.52	-	+0.01	-0.01
YEN								
IBRD (World Bk)	03/02	5.250	AAA	114.1519	0.50	+0.03	-0.30	-0.04
Spain (Kingdom)	03/02	5.750	AA	115.4677	0.56	+0.04	-0.36	+0.02
Cred Foncier	08/02	4.750	A	112.3689	1.02	+0.03	-0.38	+0.48
Italy (Rep of)	07/99	0.516	AA	100.0498	0.19	-	-0.11	+0.01
A$								
IBRD (World Bk)	02/08	6.000	AAA	102.4407	5.64	-0.16	-0.06	+0.23
Nw Sth Wales Tr	05/06	6.500	n/a	104.7300	5.68	-0.14	-0.03	+0.35
S. Aus Gov Fin	06/03	7.750	AA	107.6753	5.67	-0.15	-0.08	+0.58
GMAC Aust	05/01	9.000	n/a	106.8140	5.57	-0.10	-0.07	+0.60

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Government Securities

Price Indices UK Gilts	Mon Mar 15	Day's chge %	Accrued interest	xd adj ytd	Total Return	Yield	Duration Years	% Weight
1 Up to 5 years (16)	121.03	+0.01	1.99	1.91	1204.07	4.84	2.30	34.21
2 5-10 years (11)	170.04	+0.02	3.08	1.06	1325.65	4.73	5.86	29.36
3 10-15 years (7)	184.08	+0.01	2.69	1.34	1441.99	4.68	8.85	13.50
4 5-15 years (18)	174.11	+0.02	2.96	1.14	1358.95	4.71	6.74	42.86
5 Over 15 years (4)	228.28	-0.01	2.88	1.23	1580.21	4.66	11.86	22.16
6 Irredeemables (4)	316.70	-0.08	4.14	1.07	1843.94	4.77	21.16	0.77
7 All stocks (42)	164.94	+0.01	2.61	1.56	1346.37	4.71	6.45	100.00

UK Indices

Index-linked	Mon Mar 15	Day's chge %	Accrued interest	xd adj ytd	Total Return	% Weight
1 Up to 5 years (2)	224.16	+0.02	0.96	1.26	1170.60	14.83
2 Over 5 years (9)	260.47	+0.00	1.20	2.15	1414.88	85.17
3 5-15 years (5)	242.55	+0.00	0.97	2.03	1313.03	42.70
4 Over 15 years (4)	277.16	+0.01	1.44	2.29	1509.72	42.47
5 All stocks (11)	253.60	+0.00	1.16	2.00	1380.00	100.00

Yield Indices	Mar 15	Mar 12	Yr ago	Yield Indices	Mar 15	Mar 12	Yr ago
5 yrs	4.77	4.77	6.23	Irred †	4.77	4.77	6.04
10 yrs	4.69	4.69	6.00	Med. 15 yrs	4.69	4.69	5.85
15 yrs	4.68	4.68	5.94	High 15 yrs	4.77	4.77	6.04
20 yrs	4.68	4.68	5.92				

Coupon Bands: Medium: 8%-10¾%, High: 11% and over † Flat yield. ytd Year to date.

Real yield	Inflation 0% Mar 15	Dur yrs	Mar 12	Yr ago	Inflation 5% Mar 15	Dur yrs	Mar 12	Yr ago
Up to 5 yrs	3.09	3.29	3.10	3.53	2.32	3.30	2.32	2.76
Over 5 yrs	2.00	13.32	2.00	3.11	1.82	13.41	1.81	2.91
5-15 yrs	2.07	9.68	2.07	3.19	1.81	9.72	1.81	2.88
Over 15 yrs	1.97	17.03	1.97	3.08	1.82	17.12	1.82	2.92
All Stocks	2.05	11.76	2.05	3.12	1.84	11.88	1.84	2.91

FT Fixed Interest Indices

	Mar 15	Mar 12	Mar 11	Mar 10	Mar 9	Yr ago	High*	Low*
Govt. Secs. (UK)	115.23	115.28	115.04	112.74	112.50	104.49	117.17	93.31
Fixed interest	153.97	153.92	153.74	153.38	153.41	140.63	158.45	115.32

 * for 1998/99. Government Securities high since compilation: 127.40 (1/9/35), low 49.18 (1/3/75). Fixed Interest high since compilation: 158.45 (22/01/99), low 50.33 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts* (Lives up to Five Years)							
Treas Flg Rate 1999		-	-	100.0000	...	100.33	100.00
Exch 12¼pc 1999		12.23	5.32	100.1796	-.0220	105.09	100.18
Treas 10½pc 1999		10.40	5.13	100.9249	-.0201	104.02	100.92
Treas 6pc 1999		5.97	4.94	100.4275	-.0012	100.50	98.64
Conv 10¼pc 1999		9.90	4.97	103.5119	-.0096	105.49	103.51
[illegible]							
Exch 10½pc 2005		7.98	4.78	131.5800xd	-.0015	135.48	124.50
Treas 12½pc 2003-5		9.49	4.32	131.8572	-.0178	135.55	127.40
Treas 8½pc 2005		7.00	4.73	121.4668	+.0041	125.31	113.65
Conv 9½pc 2005		7.41	4.79	131.5713	+.0108	138.21	123.96
Treas 7¾pc 2006		6.54	4.78	118.4246	+.0194	122.40	110.47
Treas 8pc 2002-6		7.29	4.95	109.7297	+.0095	111.73	104.96
Treas 7½pc 2006		6.38	4.76	117.5179	+.0136	121.62	109.33
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
2½pc '99		1.66	3.13	195.7325	+.0330	198.18	190.29
2½pc '01	(78.3)	2.59	3.01	202.9405xd	+.0330	206.40	197.11
2½pc '03	(78.8)	2.18	2.43	204.8245	+.0045	207.63	194.57
4¾pc '04	(135.6)	1.87	2.07	133.0317	-.0058	134.39	125.70
2pc '06	(69.5)	1.64	1.79	235.0003	-.0497	236.05	208.80
2½pc '09	(78.8)	1.76	1.98	218.0826	+.0076	218.83	190.86
[illegible]							

Other Fixed Interest

[illegible]

CURRENCIES & MONEY

Rising stocks put yen back in favour

MARKETS REPORT

By Alan Beattie and Melanie Carroll

The yen, the recentunderdog of the currency markets, yesterday made significant gains against the dollar and euro.

Some analysts put the yen's performance down to a seasonal push on the stock market at fiscal year end as well as the retention of the large Japanese current account.

But strategists warned that the yen's rise was not necessarily a sign the Japanese economy was turning a corner.

The yen finished the day in London at Y118.1 against the dollar, down from its session high but up from Friday's close of Y119.2.

Eisuke Sakakibara, the influential Japanese vice-finance minister known as "Mr Yen", tried to talk the yen down earlier in the day, but for once, the market appeared to ignore him.

Neil MacKinnon, an independent currency economist, said the stock market was the key to recent movements in the yen.

"The Nikkei explains why there wasn't a large sell-off of the yen below the Y124 level," Mr MacKinnon said.

"But if the yen continues to strengthen it will be negative for the Japanese stock market," he added.

Steve Barrow, currency strategist at Bear Stearns in London, said he expected the yen to remain between Y115-Y120 in the short term, unless Japanese capital repatriation increases in the new fiscal year.

"Bulls will start to dip their toes in after the start of the new fiscal year," he said.

"The yen won't slide, but then hopes of many a yen bull have crashed before now," Mr Barrow said.

He was critical of the Bank of Japan's continued dumping of liquidity in those Japanese banks that have not been performing badly.

Mr Barrow said the yen's rise against the dollar began when the dollar failed to break through Y124. He saw the yen reaching Y140-Y150 by the end of the year.

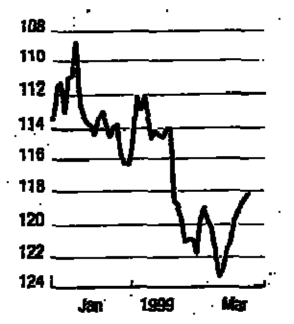
■ The Australian dollar fell yesterday as renewed falls in commodity prices led to profit-taking, after recent gains by the currency.

The Aussie fell against the dollar in the Asian session and, by the end of trading in London, was at $0.6324.

Analysts said that the fall in commodity prices in the past couple of days, following a rally over the last few weeks, left the currency vulnerable to a correction.

Yen

Against the dollar (¥ per $)



Source: Datastream/ICV

"After a good run, it is realistic to expect some consolidation, especially given the light flows in the currency today," said James McKay, global markets strategist at Commonwealth Bank of Australia in London.

Mr McKay said the Aussie might receive some support in the near future if the opposition Liberals win state elections in New South Wales. The Liberal promise to privatise state utilities could lead to an inflow of up to A$18bn into the currency, he said.

Other commodity currencies also softened yesterday, despite the prospects for cuts in oil production pushing up crude prices.

The Canadian dollar and the South African rand both fell, closing at the end of London trading at C$1.5289 and R6.2173 respectively.

Mr McKay said that, whatever the final outcome of the OPEC process currently in train, the potential for oil prices to continue weak remained.

"We have seen many agreements like this before, and countries have often reneged on them," he said. "And at a time when Latin American countries such as Venezuela are looking to export their way out of trouble, the potential for oil sales to exceed the agreed limits is large."

■ The pound lost some of its post-Budget gains against the euro and the dollar yesterday.

"On balance, the budget was positive for sterling," said Neil MacKinnon. "And the pound has good support at the $1.60 level," he added.

Sterling closed in London at $1.622, down from $1.634 on Friday.

Steve Barrow said that last week's resignation of Oskar Lafontaine, the German finance minister, might push sterling down further if it meant that the UK was more likely to sign up to European monetary union.

■ POUND IN NEW YORK

Mar 15	—Latest—	-- Prev. close --
£ spot	1.6230	1.6315
1 mth	1.6223	1.6318
3 mth	1.6215	1.6300
1 yr	1.6232	1.6318

■ OTHER CURRENCIES

Mar 15	£	$
Czech Rp	56.2153 - 56.2885	34.6730 - 34.7010
Hungary	375.363 - 376.084	231.520 - 231.850
Iran	4866.30 - 4863.90	3000.00 - 3000.00
Kuwait	0.4935 - 0.4939	0.3044 - 0.3045
Peru	5.4297 - 5.4373	3.3490 - 3.3520
Poland	6.3733 - 6.3896	3.9310 - 3.9390
Russia	37.3710 - 37.5516	23.0500 - 23.1500
UAE	5.9547 - 5.9581	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Mar 15		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	20.3903	-0.1556	796 - 009	20.5767	20.3796	20.3472	2.5	20.2718	2.3	19.9506	2.2	102.8
Belgium*	(BFr)	59.7764	-0.4561	452 - 075	60.3220	59.7452	59.6499	2.5	59.4288	2.3	58.4873	2.2	102.2
Denmark	(DKr)	11.0070	-0.0923	010 - 129	11.1164	11.0010	10.9869	2.2	10.9524	2.0	10.8051	1.8	105.5
Finland*	(FM)	8.8105	-0.0673	059 - 151	8.8910	8.8059	8.7918	2.5	8.7592	2.3	8.6204	2.2	81.0
France*	(FFr)	9.7201	-0.0742	150 - 251	9.8089	9.7150	9.6996	2.5	9.6636	2.3	9.5105	2.2	105.5
Germany*	(DM)	2.8982	-0.0221	967 - 997	2.9258	2.8967	2.8921	2.5	2.8814	2.3	2.8357	2.2	103.2
Greece	(Dr)	476.261	-3.6860	949 - 573	480.683	475.949	477.909	-4.2	480.77	-3.8	491.875	-3.3	62.7
Ireland*	(I£)	1.1670	-0.0090	664 - 676	1.1777	1.1664	1.1645	2.6	1.1602	2.3	1.1418	2.2	93.0
Italy*	(L)	2869.20	-21.8900	770 - 069	2895.43	2867.70	2863.13	2.5	2852.51	2.3	2807.32	2.2	75.3
Luxembourg*	(LFr)	59.7764	-0.4561	452 - 075	60.3220	59.7452	59.6499	2.5	59.4288	2.3	58.4873	2.2	102.2
Netherlands*	(Fl)	3.2655	-0.0250	638 - 672	3.2954	3.2638	3.2586	2.6	3.2464	2.3	3.195	2.2	101.6
Norway	(NKr)	12.6801	-0.0412	729 - 873	12.7606	12.6373	12.6987	-1.8	12.726	-1.4	12.7462	-0.5	92.5
Portugal*	(Es)	297.078	-2.2670	923 - 232	299.796	292.923	296.449	2.5	295.35	2.3	290.671	2.2	91.7
Spain*	(Pta)	246.554	-1.8810	425 - 682	248.810	246.425	246.032	2.5	245.12	2.3	241.237	2.2	76.5
Sweden	(SKr)	13.1991	-0.0478	877 - 104	13.2422	13.1763	13.1727	2.4	13.1268	2.1	12.9518	1.9	82.3
Switzerland	(SFr)	2.3726	-0.0147	712 - 739	2.3847	2.3712	2.3636	4.6	2.3486	4.0	2.2864	3.6	106.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.3
Euro	(€)	1.4818	-0.0113	810 - 826	1.4954	1.4809	1.4787	2.6	1.4731	2.3	1.4498	2.2	-
SDR†	-	1.194900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6215	-0.0118	211 - 219	1.6300	1.6208	-	-	-	-	-	-	-
Brazil	(R$)	3.0488	-0.0681	318 - 658	3.1144	3.0318	-	-	-	-	-	-	-
Canada	(C$)	2.4794	-0.0100	780 - 808	2.4877	2.4772	2.4786	0.4	2.4777	0.3	2.4784	0.0	76.8
Mexico	(New Peso)	15.7629	-0.1948	509 - 749	15.8168	15.7509	16.0251	-20.0	16.5384	-19.7	18.9108	-20.0	-
USA	($)	1.6217	-0.0123	213 - 221	1.6306	1.6210	1.621	0.5	1.6202	0.4	1.6219	0.0	107.9
Pacific/Middle East/Africa													
Australia	(A$)	2.5642	-0.0052	625 - 658	2.5765	2.5615	2.5627	0.7	2.5604	0.6	2.5568	0.3	80.9
Hong Kong	(HK$)	12.5671	-0.0944	631 - 710	12.6347	12.5631	12.5633	0.4	12.5723	-0.2	12.8055	-1.9	-
India	(Rs)	68.7865	-0.5564	634 - 095	69.2010	68.7634	69.2691	-8.4	70.0201	-7.2	74.0355	-7.6	-
Indonesia	(Rupiah)	14270.98	-761.8500	638 - 559	14814.50	13975.00	14629.46	-30.1	15452.93	-33.1	18732.48	-31.3	-
Israel	(Shk)	6.5337	-0.0258	256 - 418	6.5455	6.5120	-	-	-	-	-	-	-
Japan	(Y)	191.466	-3.3070	378 - 554	194.640	191.010	190.556	5.7	188.971	5.2	182.021	4.9	131.6
Malaysia‡	(M$)	6.1625	-0.0467	037 - 080	6.1961	6.1601	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.0435	-0.0147	407 - 462	3.0579	3.0407	3.0406	1.2	3.0363	0.9	3.0315	0.4	92.0
Philippines	(Peso)	63.0031	-0.7230	443 - 619	63.2619	62.7443	63.4002	-7.8	64.1772	-7.5	67.8859	-7.8	-
Saudi Arabia	(SR)	6.0818	-0.0461	799 - 837	6.1148	6.0796	6.0881	-1.2	6.1046	-1.5	6.1829	-1.7	-
Singapore	(S$)	2.7869	-0.0437	854 - 884	2.8240	2.7841	2.7779	3.9	2.7638	3.3	2.7199	2.4	-
South Africa	(R)	10.0825	-0.0079	739 - 911	10.1387	10.0739	10.1753	-11.1	10.3212	-9.5	10.9252	-8.4	-
South Korea	(Won)	1995.50	-20.0400	258 - 843	2010.41	1992.58	-	-	-	-	-	-	-
Taiwan	(T$)	53.6702	-0.4316	164 - 240	53.9924	53.6164	53.8169	-3.3	54.0427	-2.8	54.7456	-2.0	-
Thailand	(Bt)	60.5705	-0.4921	745 - 665	60.8320	60.5950	60.6656	-1.9	60.961	-2.6	62.5224	-3.2	-

† Rates for Mar 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria*	(Sch)	12.5734	-0.0006	699 - 769	12.6392	12.5596	12.5523	2.0	12.5117	2.0	12.3011	2.2	102.7
Belgium*	(BFr)	36.8603	-0.0017	502 - 704	37.0530	36.8200	36.7984	2.0	36.6793	2.0	36.062	2.2	102.1
Denmark	(DKr)	6.7873	-0.0054	853 - 893	6.8263	6.7849	6.7778	1.7	6.7598	1.6	6.6822	1.8	104.5
Finland*	(FM)	5.4329	-0.0003	314 - 344	5.4613	5.4269	5.4238	2.0	5.4062	2.0	5.3152	2.2	80.2
France*	(FFr)	5.9938	-0.0003	921 - 954	6.0251	5.9872	5.9838	2.0	5.9644	2.0	5.864	2.2	104.8
Germany*	(DM)	1.7871	-0.0001	866 - 876	1.7965	1.7852	1.7841	2.0	1.7783	2.0	1.7484	2.2	102.8
Greece	(Dr)	293.680	-0.0450	560 - 800	295.490	293.250	294.825	-4.7	296.73	-4.2	303.28	-3.3	62.4
Ireland*	(I£)	1.3896	-	892 - 900	1.3911	1.3824	1.3919	-2.0	1.3965	-2.0	1.4204	-2.2	-
Italy*	(L)	1769.25	-0.0600	877 - 974	1778.52	1767.31	1766.28	2.0	1760.57	2.0	1730.93	2.2	74.9
Luxembourg*	(LFr)	36.8603	-0.0017	502 - 704	37.0530	36.8200	36.7984	2.0	36.6793	2.0	36.062	2.2	102.3
Netherlands*	(Fl)	2.0137	-0.0001	131 - 142	2.0242	2.0114	2.0103	2.0	2.0038	2.0	1.9701	2.2	101.4
Norway	(NKr)	7.8190	+0.0336	165 - 215	7.8266	7.7780	7.8338	-2.3	7.8544	-1.8	7.858	-0.5	92.0
Portugal*	(Es)	183.189	-0.0080	139 - 239	184.150	182.990	182.881	2.0	182.28	2.0	179.222	2.2	92.1
Spain*	(Pta)	152.034	-0.0070	992 - 076	152.830	151.870	151.779	2.0	151.267	2.0	148.742	2.2	76.1
Sweden	(SKr)	8.1390	+0.0320	340 - 440	8.1461	8.0979	8.1263	1.9	8.103	1.8	7.9856	1.9	82.3
Switzerland	(SFr)	1.4630	+0.0020	625 - 635	1.4673	1.4611	1.4581	4.0	1.4485	3.7	1.4097	3.6	106.9
UK	(£)	1.6217	-0.0123	213 - 221	1.6306	1.6210	1.621	0.5	1.6202	0.4	1.6219	0.0	102.8
Euro	(€)	1.0944	-	941 - 947	1.0958	1.0887	1.0962	-2.0	1.0998	-2.0	1.1187	-2.2	-
SDR†	-	0.73200	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0003	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.8800	-0.0275	700 - 900	1.9100	1.8700	-	-	-	-	-	-	-
Canada	(C$)	1.5289	+0.0054	284 - 294	1.5294	1.5235	1.5291	-0.2	1.5292	-0.1	1.5281	0.0	77.0
Mexico	(New Peso)	9.7200	-0.0460	150 - 250	9.7250	9.7150	9.886	-20.5	10.2075	-20.1	11.66	-20.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.2
Pacific/Middle East/Africa													
Australia	(A$)	1.5812	+0.0087	805 - 818	1.5838	1.5741	1.5808	0.3	1.5803	0.2	1.5797	0.1	81.7
Hong Kong	(HK$)	7.7493	+0.0005	488 - 498	7.7498	7.7489	7.7504	-0.2	7.7595	-0.5	7.8956	-1.9	-
India	(Rs)	42.4163	-0.0212	125 - 200	42.5120	42.4120	42.7325	-8.9	43.2163	-7.5	45.6488	-7.6	-
Indonesia	(Rupiah)	8800.00	-400.0000	000 - 000	9125.00	8800.00	9025	-30.7	9537.5	-33.5	11550	-31.2	-
Israel	(Shk)	4.0289	+0.0145	249 - 329	4.0372	4.0153	-	-	-	-	-	-	-
Japan	(Y)	118.065	-1.1350	040 - 090	119.420	117.540	117.555	5.2	116.635	4.8	112.225	4.9	132.0
Malaysia‡	(M$)	3.8000	-	300 - 300	3.8000	3.7999	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8767	+0.0051	755 - 779	1.8783	1.8699	1.8749	1.2	1.8732	0.8	1.8736	0.2	-
Philippines	(Peso)	38.8500	-0.1500	000 - 000	39.0000	38.7000	39.112	-8.1	39.61	-7.8	41.857	-7.7	-
Saudi Arabia	(SR)	3.7503	-	500 - 505	3.7506	3.7500	3.7558	-1.8	3.7678	-1.9	3.8123	-1.7	-
Singapore	(S$)	1.7185	-0.0138	180 - 190	1.7340	1.7135	1.7136	3.4	1.7058	3.0	1.677	2.4	-
South Africa	(R)	6.2173	+0.0420	135 - 210	6.2300	6.2000	6.2773	-11.6	6.3703	-9.8	6.7363	-8.3	-
South Korea	(Won)	1230.50	-3.0000	900 - 200	1234.10	1229.00	-	-	-	-	-	-	-
Taiwan	(T$)	33.0950	-0.0150	700 - 200	33.1100	32.9700	33.2	-3.8	33.355	-3.1	33.756	-2.0	-
Thailand	(Bt)	37.3500	-0.0200	000 - 000	37.3800	37.3000	37.425	-2.4	37.625	-2.9	38.55	-3.2	-

† SDR rate per $ for Mar 12. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Mar 12: Base average 1990=100. Bid, offer, and spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Mar 15	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Euro-zone	2⅞	3	3	3	3	-	3.00	3.00
Switzerland	⅝	1⅛	1¼	1⅛	1¼	-	1.00	-
US	4⅝	4⅞	4⅞	5	5¼	-	4.50	-
Japan	⅜	¼	⅜	⅜	⅜	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	4⅞	5	5⅛	5⅜	-	-	-
US Dollar CDs	-	4.72	4.77	4.83	5.01	-	-	-
Euro Linked Ds	-	3⅛	3⅛	3⅛	3⅛	-	-	-
SDR Linked Ds	-	3⅜	3¼	3⅜	3⅜	-	-	-
BBA Euro Libor	-	3⅛	3⅛	3⅛	3⅛	-	-	-
Euro Euribor	-	3.038	3.039	3.015	3.026	-	-	-
EONIA	2.90	-	-	-	-	-	-	-
EURONIA	2.8818	-	-	-	-	-	-	-

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Mar 15	Short term	7 days notice	One month	Three months	Six months	One year
Euro	2⅞ - 2⅝	2⅞ - 2⅝	3⅛ - 2⅞	3⅛ - 3	3⅛ - 2⅞	3⅛ - 2⅞
Danish Krone	3⅝ - 3¼	3⅝ - 3⅜	3⅝ - 3⅜	3⅝ - 3⅜	3⅝ - 3⅜	3⅝ - 3⅜
Sterling	5⅝ - 5⅜	5⅝ - 5⅜	5½ - 5⅜	5⅝ - 5⅜	5½ - 5⅜	5⅝ - 5⅜
Swiss Franc	1⅛ - ⅞	1⅛ - ⅞	1⅛ - 1⅛	1⅜ - 1⅛	1⅜ - 1¼	1⅜ - 1¼
Canadian Dollar	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 4⅞	5¼ - 5⅛
US Dollar	5⅛ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5⅛ - 4⅞	5⅜ - 5⅛
Japanese Yen	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅛ - ⅛	⅜ - ⅛
Asian $Sing	⅛ - ⅛	1⅛ - 1	1⅛ - 1⅛	1⅞ - 1⅛	2⅛ - 2⅛	3 - 2⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.960	96.960	+0.01	96.965	96.960	3,009	32,451
Jun	97.090	97.090	+0.01	97.100	97.085	10,551	34,850

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.960	96.960	+0.005	96.970	96.960	6434	133960
Jun	97.080	97.095	+0.015	97.095	97.080	49290	169027
Sep	97.120	97.125	+0.005	97.140	97.100	14826	142390
Dec	96.900	96.895	+0.010	96.910	96.885	5801	93500

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.960	96.965	+0.010	96.965	96.960	1058	114454
Jun	97.085	97.095	+0.015	97.090	97.085	1098	106440
Sep	97.130	97.125	+0.005	97.130	97.120	136	93101
Dec	-	96.895	+0.010	-	-	0	83500

■ EURIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Mar	PUTS Jun	PUTS Sep	PUTS Dec
96875	0.085				0			
97000	0	0.145	0.205	0.145	0.040	0.050	0.080	0.250
97125	0				0.165			
97250	0	0.045	0.085	0.070	0.290	0.200	0.210	0.425

Est. vol. total, Calls 1340 Puts 700. Previous day's open int., Calls 317568 Puts 118701

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Mar	PUTS Jun	PUTS Sep	PUTS Dec
96875								
97000	0.110	0.205	0.145	0.250	0.015	0.080	0.250	0.205
97125								
97250	0.025	0.085	0.070	0.130	0.180	0.210	0.425	0.335

Est. vol. total, Calls 0 Puts 1535. Previous day's open int., Calls 279016 Puts 180082

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.680	98.720	+0.020	98.710	98.680	2260	47468
Jun	98.590	98.610	+0.030	98.630	98.570	19613	74303
Sep	98.490	98.490	+0.030	98.510	98.450	9019	41185
Dec	98.190	98.190	+0.010	98.210	98.180	1766	15869

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.80	-0.02	-	-	0	n/a
Sep	-	99.78	-0.03	-	-	0	n/a
Dec	-	99.57	-0.03	-	-	0	n/a

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100-rate

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
98750	0	0.095	0.125	0.030	0.235	0.385
98875	0			0.155		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 6450 Puts 6012

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.41	16.26	4.848	1.952	4800	5.463	21.21	497.0	412.5	22.08	3.969	1.673	4.148	2.713	320.3	2.479
Denmark	(DKr)	54.31	10	8.831	2.633	1.060	2607	2.967	11.52	269.9	224.0	11.99	2.156	0.909	2.253	1.473	173.9	1.346
France*	(FFr)	61.50	11.32	10	2.982	1.201	2952	3.360	13.05	305.6	253.7	13.58	2.441	1.029	2.551	1.668	197.0	1.525
Germany*	(DM)	20.63	3.798	3.354	1	0.403	990.0	1.127	4.375	102.5	85.07	4.554	0.819	0.345	0.856	0.560	66.06	0.511
Ireland*	(I£)	51.22	9.432	8.329	2.483	1	2459	2.798	10.87	254.6	211.3	11.31	2.033	0.857	2.125	1.390	164.1	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.442	10.35	8.593	0.460	0.083	0.035	0.086	0.057	6.673	0.052
Netherlands*	(Fl)	18.31	3.371	2.977	0.888	0.357	878.6	1	3.883	90.97	75.50	4.042	0.727	0.306	0.759	0.497	58.63	0.454
Norway	(NKr)	47.14	8.681	7.666	2.286	0.920	2263	2.575	10	234.3	194.4	10.41	1.871	0.789	1.955	1.279	151.0	1.169
Portugal*	(Es)	20.12	3.705	3.272	0.976	0.393	965.8	1.099	4.268	100	82.99	4.443	0.799	0.337	0.835	0.546	64.45	0.499
Spain*	(Pta)	24.24	4.464	3.942	1.175	0.473	1164	1.324	5.143	120.5	100	5.353	0.962	0.406	1.006	0.658	77.66	0.601
Sweden	(SKr)	45.29	8.339	7.364	2.196	0.884	2174	2.474	9.607	225.1	186.8	10	1.798	0.758	1.878	1.229	145.1	1.123
Switzerland	(SFr)	25.20	4.639	4.097	1.222	0.492	1209	1.376	5.345	125.2	103.9	5.563	1	0.421	1.045	0.684	80.70	0.625
UK	(£)	59.77	11.01	9.719	2.898	1.167	2869	3.265	12.68	297.1	246.5	13.20	2.373	1	2.479	1.622	191.5	1.482
Canada	(C$)	24.11	4.439	3.920	1.169	0.471	1157	1.317	5.114	119.8	99.44	5.323	0.957	0.403	1	0.654	77.22	0.598
USA	($)	36.86	6.787	5.994	1.787	0.720	1769	2.014	7.819	183.2	152.0	8.139	1.463	0.617	1.529	1	118.1	0.914
Japan	(Y)	31.22	5.749	5.077	1.514	0.610	1499	1.706	6.623	155.2	128.8	6.894	1.239	0.522	1.295	0.847	100	0.774
Euro	(€)	40.34	7.428	6.560	1.956	0.788	1936	2.204	8.557	200.5	166.4	8.907	1.601	0.675	1.673	1.094	129.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (CME) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5598	0.5598	-0.0043	0.5613	0.5577	5,827	33,423
Jun	0.5606	0.5627	-0.0041	0.5643	0.5603	18,180	35,126
Sep	0.5634	0.5659	-0.0039	0.5662	0.5634	909	1,115

■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8431	0.8496	+0.0077	0.8504	0.8400	8,673	45,681
Jun	0.8530	0.8601	+0.0081	0.8613	0.8475	26,525	72,808
Sep	0.8645	0.8705	+0.0078	0.8705	0.8600	13	1,567

■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6821	0.6840	+0.0020	0.6920	0.6821	10,277	20,317
Jun	0.6885	0.6905	+0.0022	0.6909	0.6872	21,382	56,798
Sep	0.6947	0.7002	+0.0056	0.7070	0.6947	18	311

■ STERLING FUTURES (CME) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6250	1.6270	-0.0036	1.6542	1.6250	10,125	27,402
Jun	1.6292	1.6246	-0.0044	1.6604	1.6230	15,291	51,892
Sep	1.6240	1.6250	-0.0042	1.6510	1.6240	1,019	1,252

UK INTEREST RATES

LONDON MONEY RATES

Mar 15	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅝ - 4¾	5¼ - 5⅛	5⅛ - 5¼	5½ - 5¼	5⅜ - 5⅜	5⅜ - 5⅜
Sterling CDs	-	-	5⅜ - 5½	5⅜ - 5¼	5¼ - 5⅜	5¼ - 5⅜
Treasury Bills	-	-	5⅜ - 5¼	5⅜ - 5⅜	-	-
Bank Bills	-	-	5⅜ - 5¼	5⅜ - 5⅛	-	-
Local authority deps.	5¼ - 5⅛	5¼ - 5¼	5⅜ - 5⅜	5⅜ - 5¼	5¼ - 5⅛	5¼ - 5⅛
Discount Market deps	5⅛ - 5¼	5⅛ - 5¼	-	-	-	-

UK clearing bank base lending rate 5½ per cent from Feb 4, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Mar 12. 4.8934pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 26, 1999. Agreed rate for period Mar 24, 1999 to Apr 23, 1999, Scheme III 6.86pc. Reference rate for period Jan 30, 1999 to Feb 26, 1999, Schemes IV & V 5.550pc. Finance House Base Rate 6.0pc for Mar 1999.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.560	94.570	+0.020	94.570	94.560	19906	158137
Jun	94.840	94.820	-	94.850	94.810	23054	177587
Sep	94.890	94.870	-	94.910	94.860	11519	182055
Dec	94.710	94.670	-0.010	94.730	94.650	3112	141954
Mar	94.830	94.790	-0.010	94.850	94.760	3295	130504

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
94500	0.075	0.370	0.465	0.005	0.050	0.095
94625	0.005			0.060		
94750	0	0.185	0.300	0.180	0.115	0.180
94875	0			0.305		
95000	0	0.080	0.170	0.430	0.260	0.300
95125	0			0.555		

Est. vol. total, Calls 2174 Puts 1920. Previous day's open int., Calls 620549 Puts 661351

EMS EUROPEAN CURRENCY UNIT RATES

Mar 15	Euro cen. rates	Rate against Euro €	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	353.109	321.400	-0.15	-8.98	9.46	60
Denmark	7.46038	7.4325	-0.0002	-0.37	0.00	3
NON ERM MEMBERS						
UK	0.653644	0.67390	+0.0053	3.10	-3.37	-

Euro central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Euro; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Euro central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Euro central rate. 17/9/92: Sterling suspended from ERM. 16/3/98. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.620	1.04	2.22	2.74	-	1.14	1.70
1.630	0.26	1.65	2.24	0.13	1.57	2.15
1.640	0.08	1.15	1.79	0.74	2.08	2.65

Previous day's vol., Calls 4 Puts 26. Prev. day's open int., Calls 974 Puts 2,506

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
0.560	0.04	0.57	0.81	0.15	0.68	0.85
0.565	0.01	0.38	0.58	0.64	0.99	1.13
0.570	0.01	0.26	0.42	1.13	-	-

Previous day's vol., Calls 0 Puts 0. Prev. day's open int., Calls 365 Puts 2,639

■ THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.00	95.00	-	95.00	95.00	28,574	368,104
Jun	94.95	94.94	-0.01	95.01	94.92	74,643	464,311
Sep	94.85	94.84	-	94.88	94.82	118,194	467,501

■ US TREASURY BILL FUTURES (CME) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.53	95.52	-	95.52	95.51	93	1,547
Jun	95.61	95.61	+0.01	95.62	95.61	255	2,202

All Open interest figs. are for previous day

BASE LENDING RATES

	%		%		%
Adam & Company	5.50	Exeter Trust Limited	6.50	Smith & Williamson	5.50
Allied Irish Bank (GB)	5.50	●Robert Fleming & Co	5.50	Sun Bank	5.50
●Henry Ansbacher	5.50	Habib Bank AG Zurich	5.50	TSB	5.50
Banco Bilbao Vizcaya	5.50	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.50	C. Hoare & Co	5.50	Unity Trust Bank Plc	5.50
Bank of Ireland	5.50	●SG Hambros Bank & Trust	5.50	Whiteaway Laidlaw	5.50
Bank of India	5.50	Hongkong & Shanghai	5.50	Yorkshire Bank	5.50
Bank of Scotland	5.50	Investec Bank (UK) Ltd	5.50		
Barclays Bank	5.50	Julian Hodge Bank	5.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.50	●Leopold Joseph & Sons	5.50		
●Brown Shipley & Co Ltd	5.50	Lloyds Bank	5.50		
Citibank NA	5.50	Midland Bank	5.50		
Clydesdale Bank	5.50	NatWestminster	5.50		
The Co-operative Bank	5.50	●Rea Brothers	5.50		
Coutts & Co	5.50	Royal Bk of Scotland	5.50		
Cyprus Popular Bank	5.50	Scottish Widows Bank	5.50		
Duncan Lawrie	5.50	●Singer & Friedlander	5.50		

COMMODITIES & AGRICULTURE

Oil softens on details of production cuts

MARKETS REPORT

By Robert Corzine and Gillian O'Connor in London, Valeria Sköld in Oslo and Robin Allen in Doha

Crude oil prices softened yesterday as traders assessed the details of the latest production cuts agreed last week by the world's leading crude exporters in a bid to boost prices.

The benchmark April Brent Blend futures contract was quoted at $12.46 a barrel in late trading on London's International Petroleum Exchange, down 10 cents from Friday's close.

As details of individual production cuts emerged, Norway, the world's second largest crude exporter after Saudi Arabia, became the latest non-Opec producer to join the initiative.

Norway will cut 200,000 barrels per day, starting in April and running to December. The reduction, representing about 6 per cent of the country's more than 3m b/d production, replaces the current 100,000b/d cut that expires in June. The latest cut is dependent on Opec formalising its agreement at its meeting next week.

Analysts said the effectiveness of the cuts would depend on compliance.

Ahmed Zaki Yamani, chairman of the Centre for Global Energy Studies, speaking yesterday at the 3rd Doha Conference on Natural Gas, predicted that crude prices would be around $15 a barrel by year-end "on condition of full compliance".

Previous production cuts by Opec have achieved 70 per cent compliance.

Further producer cutbacks, from Western Mining this time, pushed nickel prices higher again yesterday. They have risen 27 per cent so far this year.

It was the reverse story for aluminium. Pechiney confirmed that it had now brought all its idled capacity back into production, and expected a supply surplus and low prices in 1999.

The popular explanation for yesterday's weakness in silver was Warren Buffett's failure to tell the world whether he had sold some or all of his holdings.

But some traders argued that it was more the consequence of the weakness in gold, itself inspired by French president François Chirac's apparent backing for IMF gold sales.

In February 1998, Mr Buffett disclosed that Berkshire Hathaway, his holding company, had bought around 20 per cent of the world's total silver supply, and price rose briefly to almost $8 an ounce.

This year, the market has been waiting eagerly for the Berkshire Hathaway chairman's statement, published on the internet over the weekend. But in it Mr Buffett gave no indication of what Berkshire has done with its silver, and the price eased back a few cents to around $5.12.

"Buffettologists" say the "Sage of Omaha" only says what he has done after the event, when it can no longer prejudice the outcome: therefore he is expected to have some silver left to sell.

Genetic engineering will not feed hungry, say Africans

Countries are wary of dependence on multinational corporations as a result of the introduction of GM crops, says **John Madeley**

Genes and crops

Will genetic engineering help the hunger and poverty problem on the African continent? Although solving such issues should be high on the priority list for many African countries, claims from multinational corporations that genetically modified foods will help to feed the hungry have met a cool reception among African agriculturalists.

Fears that traditional systems would be eroded by western technology lie at the heart of their concerns. At a meeting last year of the UN Food and Agriculture Organisations Commission on Genetic Resources, 24 African delegates issued a statement saying gene technologies would destroy diversity. local knowledge and sustainable agricultural systems that have been developed for millennia, and undermine their capacity to feed their populations.

African countries are also wary of increasing dependence on developed countries and multinational corporations as a result of the introduction of genetically modified crops. Of particular concern is the development by Monsanto of technology that will make seeds self-destruct after one season.

Instead of saving seed, farmers would be dependent on the company for fresh seed each year. Western science can contribute to improving agricultural production in Africa, said the delegates, but it should be done on the basis of understanding and respect for what is already there.

Dr Hans Herren, director-general of the International Centre of Insect Physiology and Ecology in Nairobi, told a recent meeting at the Overseas Development Institute in London that one of the problems was the narrow genetic base of genetically modified crops. The adoption of such crops would cause the further loss of diverse plant species that scientists need to breed new varieties.

Too narrow an approach to food security is dangerous, he said. Africa needs a broad range of ecologically-suited crop varieties. The concept of genetically modified crops is not based on the welfare of farmers. GM crops will not feed the hungry, they will make them poorer.

Similar questions have been raised by western critics of genetically modified crops. They include concern that genetically engineered crops will generate their own pesticides and could cause the evolution of pesticide-resistant insects and super-weeds that will require more, not less, pesticide.

The dangers of cross-pollination are also of concern, with possible damaging consequences for African crops. Dr Paul Senghor of the Institute of Agricultural Research at Senegal's Ministry of Agriculture says the food security of African countries should not depend on risky products.

And in the case of Africa, the arguments for not planting genetically modified crops are more significant compared with smallholder farmers in the UK, says Michael Stocking, professor of natural resources at the University of East Anglia; GM crops would impose an additional management burden on farmers and generally increase their risks.

Dr Jules Pretty, director of the Centre for Environment and Society at the University of Essex, believes some genetic engineering technology – virus-resistant rice, for example – may have a part to play in Africa, provided it proved to be safe and did not damage the environment. But he says that in parts of Africa, crop yields are increasing substantially through the integration of traditional technologies.

Meanwhile, many specialists point out that Africa's problem can be solved by policy measures rather than genetically modified crops. Dr Herren believes farmers need to have the necessary credit facilities and manageable solutions to their agronomic problems.

There is a structural problem in that governments seem to lack the will to place agriculture at the top of the agenda, he says.

Africans and other specialists point out that genetically modified crops will not address the main factor behind hunger – that people lack the money to buy food or the land on which to grow it. Tewolde Egziabher of the Institute for Sustainable Development in Addis Ababa points out that there are still hungry people in Ethiopia, but they are hungry because they have no money, not because there is no food for them to buy.

This article is the third in a series on genetically modified crops. The previous articles appeared on March 9 and March 11; the next will appear on March 18.

Farmers need the necessary credit facilities and manageable solutions to their agronomic problems

India helps others to promote milk

By Kunal Bose in Calcutta

India, which recently overtook the US to become the world's largest producer of milk, is helping other developing countries promote their dairy industries.

The Indian experience of lifting milk production through co-operatives of small and marginal producers is seen by the United Nations Food and Agriculture Organisation and the International Dairy Federation as relevant for most African and Asian countries.

The country's National Dairy Development Board, which has been behind the push to increase milk production dubbed "Operation Flood", has taken up an assignment to help make Sri Lanka self-sufficient in milk and milk products within 10 years.

India's milk production rose more than 4 per cent last year to 74m tonnes, compared with a world average of less than 1 per cent.

India's success in the dairy sector has been achieved in spite of the difficult circumstances in which Operation Flood was launched in the early 1970s.

Dr Varghese Kurien, the father of India's dairy revolution, said: "We suffered from all possible disadvantages, save one: India, almost alone among non-European cultures, is a milk-drinking nation. This, coupled with our large population, ensured constant and growing demand for milk."

According to the World Bank, which supported Operation Flood, its success was underpinned by three large policy initiatives: the ending of direct government efforts to promote the dairy sector; selling dairy food aid at commercial rates, not only helping finance dairy co-operatives but also giving price protection to the farmers; and encouraging co-operatives controlled by farmers to contribute to the development of the industry.

In an alliance with the Sri Lankan government, the National Dairy Development Board has formed Kiriya Milk Industries of Lanka to build a dairy in Colombo to produce 300,000 litres a day. This will also take over some existing dairies.

The immediate objective of the venture, in which the NDDB has a 51 per cent stake, is to meet demand for milk in Colombo and its surrounding areas.

Sri Lanka currently imports large quantities of milk and milk products from New Zealand. While Sri Lanka remains NDDB's biggest overseas assignment to date, Uganda, Kenya, Ethiopia, the Philippines, Thailand and Pakistan have also made use of its expertise, and the NDDB also built a dairy in Kyrgyz last year.

"Operation Flood provided the example of large-scale modern milk processing fed by a well organised milkshed procuring milk from a large number in very small amounts of one and two litres," says the World Bank.

However, while India is at the top of the milk producers' league, it still remains a minor participant in the world dairy market, due to international food safety standards and export subsidies of leading dairy exporting countries.

The government is campaigning strongly in various world forums for the removal of non-tariff barriers like export subsidies, discrimination against buffalo milk of which it is a big producer and restrictions on use of anti-oxidants in milk, a must for tropical countries.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1139-40	1164-65
Previous	1145.5-6.5	1169-70
High/low		1172/1161
AM Official	1141-2	1168.5-9.5
Kerb close		1169-70
Open Int.	303,178	
Total daily turnover	133,121	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1025-30	1047-51
Previous	1030-35	1053-5
High/low		1052
AM Official	1030-30.5	1052-5
Kerb close		1062-55
Open Int.	8,985	
Total daily turnover	3,412	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	496-6	498-8.5
Previous	497-8	501-1.5
High/low		500/497
AM Official	496-6.5	498-9
Kerb close		499-500
Open int.	37,699	
Total daily turnover	12,011	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5155-65	5230-35
Previous	4930-40	5005-10
High/low		5240/5030
AM Official	5025	5030
Kerb close		5230-35
Open int.	73,102	
Total daily turnover	16,526	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5395-405	5265-75
Previous	5355-65	5245-50
High/low		5270/5240
AM Official	5400-05	5270-80
Kerb close		5270-80
Open int.	21,818	
Total daily turnover	4,769	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1027-28	1039-40
Previous	1022-3	1032-3
High/low		1041/1037
AM Official	1029-8.5	1037-7.5
Kerb close		1041-42
Open int.	98,518	
Total daily turnover	32,408	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1352-53	1380-81
Previous	1374.5-5.5	1401-2
High/low		1395/1378
AM Official	1357-7.5	1386-6.5
Kerb close		1381-82
Open int.	175,642	
Total daily turnover	56,380	

■ LME AM Official £/$ rate: 1.6251
LME Closing £/$ rate: 1.6220

Spot: 1.6225 3 mths: 1.6212 6 mths: 1.6211 9 mths: 1.6218

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels; $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS IPE (1,000 therms; pence per therm)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LIFFE (100 tonnes; £ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LIFFE (20 tonnes; £ per tonne)

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

PULP AND PAPER

■ PULPEX OMLX (USS; 24 air dry tonnes)

FUTURES DATA

All futures data supplied by CMS.

Minor Metals from Metal Bulletin

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LIFFE (5 tonnes; $/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

INDICES

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	66.350	-0.800	67.250	66.250	9,183	46,575
Jun	64.025	-1.050	64.600	64.000	4,472	38,894
Aug	62.375	-0.375	62.650	62.300	1,919	16,197
Oct	64.500	-0.450	64.950	64.550	728	9,856
Dec	66.450	-0.150	66.675	66.450	123	4,191
Feb	67.625	-0.100	67.750	67.600	44	1,158
Total					16,463	116,865

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	41.075	-1.000	41.750	40.875	4,399	12,777
Jun	52.025	-1.450	53.000	51.500	4,388	14,275
Jul	53.750	-2.525	54.550	53.450	762	4,700
Aug	54.475	-1.075	55.200	54.300	283	4,345
Oct	52.675	-1.925	53.800	52.600	178	4,862
Dec	54.000	-1.125	54.500	53.800	162	2,672
Total					10,234	44,163

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Mar	48.000	-0.725	48.800	47.900	43	161
May	49.325	-1.425	50.225	49.000	744	2,749
Jul	50.375	-1.350	50.700	50.050	91	1,152
Aug	49.950	-0.825	50.500	49.950	15	363
Total					893	4,425

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1150	36	66	24	34
1200	15	41	53	58
1250	5	24	93	90
■ COPPER (Grade A) LME	May	Aug	May	Aug
1350	51	95	31	52
1400	27	70	57	76
1450	13	50	93	105
■ COFFEE LIFFE	May	Jul	May	Jul
1550	192	52	1	51
1600	142	31	1	80
1650	92	18	1	117
■ COCOA LIFFE	May	Jul	May	Jul
800	46	68	11	18
825	18	39	33	39
850	10	29	50	53
■ BRENT CRUDE IPE	May	Jun	May	Jun
1200	90	112	38	50
1250	69	87	55	75
1300	42	62	-	104

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$12.38-2.58	-0.125
Brent Blend (dated)	$12.37-2.47	+0.11
Brent Blend (Apr)	$12.56-2.66	-0.15
W.T.I.	$14.44-4.46r	-0.22

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Unleaded Gasoline ‡	$129-132	
Gas Oil	$119-121	-2
Heavy Fuel Oil	$56-57	
Naphtha	$115-117	
Jet fuel	$129-130	-2
Diesel	$121-122	-2.5

■ NATURAL GAS (Pence/therm)

Bacton (Apr)	9.35-9.40	-0.08

Petroleum Argus. Tel: London (0171) 359 8792

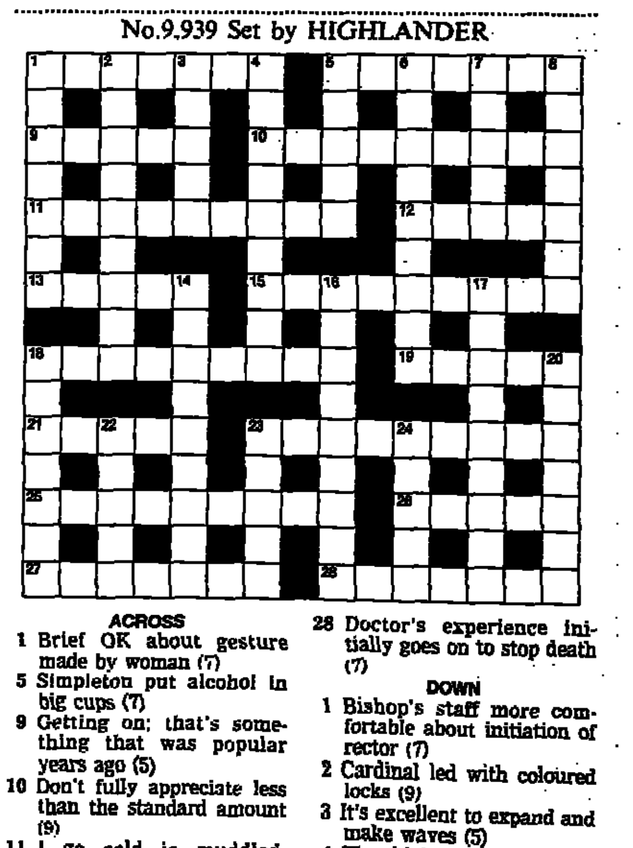
■ OTHER

Gold (per troy oz)♣	$288.85	-1.90
Silver (per troy oz)♣	520.50c	-10.25
Platinum (per troy oz.)	$364.25	-1.25
Palladium (per troy oz.)	$349.50	+0.50
Copper	67.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.61r	-0.29
Tin (New York)	252.5	-1.0
Cattle (live weight)	90.34p	+2.63*
Sheep (live weight)	91.24p	+4.93*
Pigs (live weight)†	67.58p	+4.27*
Lon. day sugar (raw)	$156.80	+4.40
Lon. day sugar (wte)	$219.50	-0.30
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Mar)♥	43.50p	-2.00
Rubber (Apr)♥	44.00p	-2.00
Rubber (KL RSS No1)	243.00m	-2.00
Coconut Oil (Phil)§	695.0	
Palm Oil (Malay.)§	470.0y	-40.0
Copra (Phil)§	450.0z	
Soyabeans (US)	145.0y	-3.5
Cotton Outlook A Index	56.85	
Wooltops (64s Super)	302p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. y Mar. x Apr. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on ? Unleaded Gasoline replaced Premium on March 1998. 2,418 head of pigs sold.

CROSSWORD

No.9,939 Set by HIGHLANDER



ACROSS

1 Brief OK about gesture made by woman (7)
5 Simpleton put alcohol in big cups (7)
9 Getting on; that's something that was popular years ago (5)
10 Don't fully appreciate less than the standard amount (9)
11 I go cold ie muddled, describing a way of thinking (9)
12 One small business area on Spanish island (5)
13 Redecorated in scarlet with original bits in indigo and damask (5)
15 Lava has receded: he can become involved in sudden deluge (9)
18 With a record of descent that's wrong, dig deeper? (9)
19 Live with former partner first (5)
21 Books sent to Mesopotamia include them (5)
23 Cargo handler returns to wear down those treating animals (9)
25 Aid fliers going off from these? (9)
26 With ticker one gets to listen to the time (5)
27 Shakespeare's tragic King Edward is very knowledgeable (7)
28 Doctor's experience initially goes on to stop death (7)

DOWN

1 Bishop's staff more comfortable about initiation of rector (7)
2 Cardinal led with coloured locks (9)
3 It's excellent to expand and make waves (5)
4 The bishop's style is in your favour (4,5)
5 First piece of Morse Code broadcast in French wine district (5)
6 Great men agitated about one sprout? (9)
7 Republican group takes intelligence over from this Arab chap (5)
8 Leaking? Refer to sheet in book (7)
14 Dig toes in to vary assimilation of food (9)
16 Spoken to although half-dead and bandaged (9)
17 Chop tail off a small sausage (9)
18 An unsuspected danger is mine to decline (7)
20 Covent Garden atmosphere in there? (7)
22 Atmosphere in the morning lifted by this girl (5)
23 Compact soil needs disturbing before top dressing (5)
24 Cultural (but not northern) set of moral values (5)

Solution to Saturday's prize puzzle on Saturday March 27.
Solution to yesterday's prize puzzle on Monday March 29.

For solutions to today's crossword call 0906 843 0060.
Calls cost 60p a minute.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

MFS Meridian Funds - Contd.

Marshall Wace Asset Management Limited

Masters International Advisors

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

AIB Fund Management Ltd

ABN AMRO Global Liquidity Funds Plc (u)

Aberdeen Prolific Intl Fund Plc

Bank of Cyprus Group

1 Harbourmaster Place, IFSC Dublin 1 353 16700300

BOC International Fund Management Ltd

BOC Global Equity (u)	1.6777	-	-	

GT Global - Contd.

Global Asset Management (GAM)

For Guinness Flight see Investec Guinness Flight

The Halal Mutual Investment Company Plc

19 South Frederick Street, Dublin 2 01706 351 1111(U)

Sterling Portfolio	£250.00		-	3.76

Baring Intl Fd Mngrs (Ireland) Ltd

IFSC Hse Custom Hse Docks Dublin 0171-628 6000

Henderson Crosthwaite Investment Co

2 Gresham Street, London EC2V 7DN 0171 5971253

Herald Investment Fund Plc

12 Charterhouse Sq, London EC1M 6AX 44171 5536300

IRELAND (REGULATED)(**)

AIG Asset Management Ltd

AIM Capital Funds Plc (z)

The Golden Gate Fund Plc

Goldman Sachs

Gordon House Asset Management Ltd

HSBC Asset Management

Putnam World Trust

RMB Global Fund

Rothschild Asset Management (Ireland) Ltd

J. Rothschild International Assce plc

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Barclays International Funds - Contd.

Gartmore Fund Managers Intl Ltd (z)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

[illegible]

LUXEMBOURG (FSA RECOGNISED)

[illegible]

Fidelity Funds - Contd.

[illegible]

Lombard Odier Invest - Contd.

[illegible]

Schroder International Selection Fd - Contd.

Scottish Equitable Intl Fund SICAV (z)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

Banque Internationale A Luxembourg - Contd.

[illegible]

Julius Baer Group - Contd.

[illegible]

Scudder Global Opportunities Funds - Contd.

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	†N	498xd	+5	646	385	4,188	6.1	13.0
Bulmer (HP)		301	+2	399	279½	–	6.2	13.5
Burn Stewart		11½	–	38½	7	–	–	–
Diageo	♣N	684½	–7	*795	476	7,497	2.7	16.8
Glenmorangie A	†	885	+5	980	870	–	3.0	16.4
B	†	672½	–	980	672½	–	1.3	36.5
Highland		248½	+2	328	225	43	4.7	11.4
5¾pc Cv Sb Bd		97½	–	109½	90½	–	5.9	–
Kirin Y		770¼xd	+24¼	814¼	457¾	–	0.8	59.8
Merrydown		25½	–	64½	18½	53	–	ϕ
Seagram C$		£28⅞xd	+⅝	£38⅝	£14⅝	–	0.9	–
South African Brews		537	–8	563	433	2,161	–	–

BANKS, RETAIL

	Notes	Price	+ or –	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
ABN Amro Fl		£12⅞	+⅛	*£16⅛	£8⅜	–	3.2	15.1
ANZ A$		422	+9½	458¼	293¼	–	4.9	ϕ
Abbey National	♣♦	1235xd	–8	1390	950	1,506	3.0	17.9
Alliance & Leicester	♣♦	821	+7½	975	683	1,147	3.2	14.7
Allied Irish I£	♣	1005xd	–13½	1262½	702	–	2.4	ϕ
Anglo Irish I£	♣†	163xd	–3	191½	116	1,441	2.9	17.5
Asahi Y		308¼	+13	308¼	140	–	1.0	–
Banco Bilbao Viz Pta	s	£9⅜	+⅛	*£12¼	£5⅝	–	1.5	11.9
Banco Santander Pta		£13⅛	–⅜	*£17⅛	£7⅜	–	1.6	ϕ
Bank Ireland I£	†	1222½	–19	1487½	882½	–	2.3	20.0
Bank Scotland	♣†	842½	–26	948	457	3,177	1.5	21.1
9¼pc Irrd Pf		178½	–¼	174	153¼	–	6.8	–
[illegible]								

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or −	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Barlow R	‡	[illegible]	[illegible]	[illegible]	[illegible]	−	4.0	7.1
Investec Group		[illegible]	[illegible]	[illegible]	[illegible]	−	−	−
Investec Hldgs		[illegible]	[illegible]	[illegible]	[illegible]	−	−	−
Standard Bank R		[illegible]	[illegible]	[illegible]	[illegible]	−	3.0	−
Tiger Oats		[illegible]	[illegible]	[illegible]	375	−	2.8	12.5
Tongaat-Hulett R		340¾	+11¼	745¾	287¾	−	6.0	8.3

TRADED INDEX SECURITIES

	Notes	Price	+ or −	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRAINS		[illegible]	—	[illegible]	£47700	−	−	−

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official list.

	Notes	Price	+ or −	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
10 Group		1	...	3¼	0¾	−	−	−
AFA Systems		81½	−1	181	74½	−	−	−
AMCO		95	...	128½	93½	−	9.2	7.1
ATA		95xd	...	157½	93½	−	7.6	7.7
AdVal Group		44½	...	87½	44½	−	−	7.6
Access Plus	‡	235	+5	271	175	−	2.7	ф
African Gold	‡	2¼	...	6¼	[illegible]	−	−	−
Albemarle & Bond	‡†	72xd	+½	95½	44½	−	2.2	18.4
Alkyrae	‡	28	...	43½	[illegible]	−	−	−
Ambient Media		64½	+14	102½	42½	−	−	−
Ambishoe Pub Co	‡	112½	...	290	88½	−	−	14.5
Anglo Siberian Oil Co		91	...	108½	88½	−	−	−
Anglo-Welsh	‡	108½	...	119	72½	−	3.5	8.9

AIM - Continued

	Notes	Price	+ or −	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Virtual Internet		169	...	341½	153	−	−	−
Voss Net		86	+7	158	41½	−	−	−
WML	‡	32	...	85½	31½	−	−	31.4
Weather Action		32½	...	97½	32½	−	−	−
Weeks Group	‡	2	...	4½	1¾	−	6.9	8.7
West 175 Ents	‡	56½	−3	87	42	−	−	−
West Bromwich Albion		£105	...	£145	£95	−	−	12.1
Western Select	‡Z	8¼	...	13	7¾	−	3.9	27.4
Westmount Energy	‡	17½	...	380	17½	−	−	ф
Willington	F	60	—	85	60	−	10.0	2.4
Winchester		88	—	112½	55½	−	−	51.3
World Telecom	‡	86	...	205	55	−	−	−
XKO		168½	+19½	168½	111½	−	−	−
Xenner Computer		27½	...	27½	8	−	−	26.2
Yeoman		51½	...	82	51½	−	−	ф

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent (except where payment is due after 6/4/99 when no tax credit will be applied) and allow for the value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
i Dividend/yield adjusted for complex issue
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Dividend/yield includes amount payable after 6/4/99
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1998-99.
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1999.
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
P Dividend/yield adjusted for consolidation or share split
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xD ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1670 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 60p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0906 843 0085

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

Telecoms block trade knocks sector sentiment

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Any hopes that the London market might resume the upward path so rudely interrupted on Friday were dashed at the start yesterday with news of a £1.8bn placing of shares in Cable and Wireless.

The sale of a 10.2 per cent stake in C&W by Veba of Germany, carried out by Cazenove and ABN Amro, soaked up much of the liquidity in the stock market; driving the FTSE 100 index back below 6,200 at one point.

At the close, the FTSE 100 managed to climb just above that level, settling 75.4 off at 6,206.8, for a two-day fall of 128.9 or 2.1 per cent. At its worst, an hour after Wall Street made a rather stodgy start to the day, the Footsie posted a 122.8 fall. Wall Street's advance, which took the Dow Jones Industrial Average to within 50 points of the 10,000 mark came after London closed.

Adding to the frowns on some fund managers' faces was the halt to the recent progress of the second and third-ranking stocks. The FTSE 250 index closed 41.9 easier at 5,518.9, and the FTSE SmallCap slipped 1.2 to 2,366.6.

"The market coped reasonably well in taking the C&W stock on board," claimed one marketmaker. "But it certainly took the wind out of the market's sails." He insisted London remained good value relative to Wall Street and many of the European markets.

Cable and Wireless has long been viewed as one of the potential bid targets in the FTSE 100 index and the news that the 246m shares offered for sale by Veba had not attracted a predator was taken badly by the market and especially by the telecoms/cable sector. The sector provided the worst three performing stocks in the FTSE 100 index.

Telecoms stocks have been one of the driving forces behind the strong performance of the FTSE 100 in recent years, along with the banking and pharmaceutical sectors.

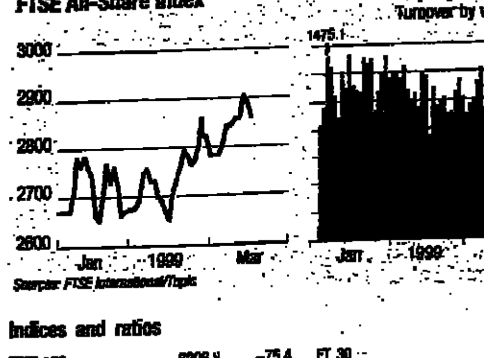
There were rumours only last week that a bid for C&W was being lined up and the absence of an industry buyer for this block of telecom shares caused some market observers to adopt the view that the premium ratings in the sector have been overdone.

Apart from the big placing, it was a generally uninspiring day in equities. There was no sign of the momentum from post-Budget fervour and from takeover bids that last week drove the FTSE 100 to a record high, the FTSE 250 to 16 consecutive winning performances and the SmallCap to eight straight gains.

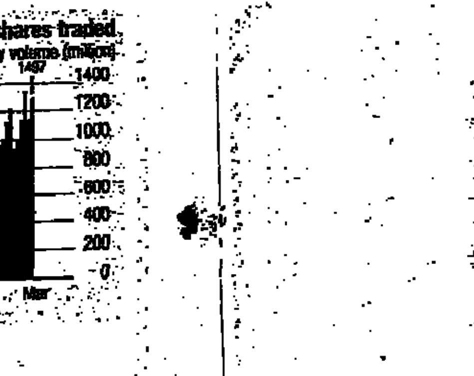
Dealers said it was questionable whether the market would have been able to make progress without the C&W story. The market has recently reached all-time valuation peaks in terms of dividend yields and price-earnings ratios.

Wall Street gave no real support to London at the outset, with the Dow slipping 21 points on Friday evening, although still within easy striking distance of the 10,000 level.

Turnover in equities eventually reached 1.49bn shares, with C&W accounting for 528m shares or 35 per cent of the total and trading in BP Amoco and Shell accounting for a further 3 per cent.



Source: FTSE International/Topic



Indices and ratios

FTSE 100	6206.8	-75.4	FT 30	3783.4	-49.4
FTSE 250	5518.9	-41.9	FTSE Non-Fins p/e	24.67	24.91
FTSE 350	2959.4	-33.8	FTSE 100 Fut Mar	6187.5	-107.0
FTSE All-Share	2863.52	-31.22	10 yr Gilt yield	4.73	4.73
FTSE All-Share yield	2.66	2.63	Long gilt/equity yld ratio	1.80	1.82

Best performing sectors

1. Electronic & Elect Equip +1.0
2. Diversified Industrials +0.4
3. Household Goods & Texts +0.2
4. Pharmaceuticals +0.1
5. Oil: Integrated +0.1

Worst performing sectors

1. Oil Exploration & Prod -4.2
2. Telecommunications -3.3
3. Tobacco -2.4
4. Life Assurance -2.0
5. Gas Distribution -1.9

Veba sells line of C&W

COMPANIES REPORT

By Martin Brice, Peter John and Simon Bernholt

The telecoms sector took a hammering when a massive line of Cable and Wireless was placed by ABN Amro and Cazenove, as Veba of Germany sold its 10.2 per cent stake.

Veba sold the stake at an average price of 724.2p to ABN Amro, which with joint selling agent Cazenove placed the stock with a range of institutions. The deal was oversubscribed, with 500 orders from UK institutions and others from European investors said to be anxious to expand their weighting in the telecoms sector.

The stake, said by one trader to be the biggest ever one-day volume in a Footsie stock, went at 735p.

Veba acquired the stake as part of an alliance with C&W that dissolved in early 1997. John Tysoe at SG Securities said: "Cable and Wireless has not turned out to be the right partner to help Veba achieve its ambitions." The German utilities group said it had made more than 100 per cent profit on the stake of 246m shares.

C&W shares reached 994½p in early January after a strong rally from the 516p touched amid global market turmoil in September and October. While investor expectations of earnings growth have led to the telecoms sector outperforming the market by 67 per cent in the past year, C&W has underperformed by 20 per cent since early January.

The placing unsettled the telecoms sector in early trading. While C&W was the worst performer in the Footsie, falling almost 10 per cent or 79½ to 751p, the stocks that stayed down with C&W were Telewest, off almost 8 per cent or 20½ at 243½p and Colt, down 51 at 939p. BT later recovered to close down 26½ at £10.58.

Psion was the best performer in the entire market as three unrelated incidents combined to power shares in the technology company ahead by almost 14 per cent, or 105 to 860p.

The main driver of the shares was the announcement by DoCoMo of Japan that it would work with Psion to introduce the Symbian operating system to the Japanese market.

Separately, Sun, the US computer group, announced that it had agreed a technical alliance with DoCoMo. Finally, there were rumours that IBM planned to sell a Psion computer in the US under its own brand.

Psion's performance was the best in the market, followed closely by Shire Pharmaceuticals, which gained 9 per cent or 43 at 516½p as Dresdner Kleinwort Benson issued a strongly bullish buy note in the wake of good figures from the company.

Royal Bank of Scotland was soggy in early trading as US corporate news undermined hopes of a deal there.

BankBoston and Fleet Financial, the two biggest banks in New England, announced at the weekend they were merging to create a $16bn company.

The news removes the ability for either of them to make any offer for Citizens Financial, which is the third biggest in the region and owned by Royal Bank.

The shares were off 45 at worst, but as the day wore on the fears eased. It emerged that, while a disposal might not be possible, the new US entity would need to sell $13bn of deposits and many of them might end up with Citizens. The stock ended 18½ weaker at £12.46½.

Oil stocks were heavily traded again as the market examined the possibility that an Opec deal would boost underlying oil prices.

The two-way view received an extra twist as SG Securities issued a "strong buy" note on Shell Transport.

Analyst John Toalster published a note in which he argued that the company was in the process of "regaining its lost status" and offered great potential for an upward re-rating.

Mr Toalster said that, on a 60 per cent yield premium against the All Share index and 18 per cent annual growth prospects, the stock was cheap up to 460p.

Shell rose against the trend to close 3¾ up at 390¾p with 21m shares changing hands. BP Amoco dipped 2 to 973½p.

Reed recovers

Reed International recovered sharply as various broker "buy" notes kicked in and countered last week's disappointment that no chief executive had been found.

J.P. Morgan, which has a "market performer" rating, sees "substantial untapped long-term potential" to be unleashed following appointment of a new CEO.

Michael Savage at Collins Stewart is far more positive. He moved the shares from "hold" to "strong buy" saying: "In terms of risk/reward, Reed looks more attractive than at any point over the last 12 months. Even if you don't like the story long term, we think that from these levels you can book a 50 or 60-point gain in six weeks. That's an annual return of 100 per cent." The shares gained 25½ to 525½, the best performance in the Footsie.

Daily Mail & General Trust, one of the newest Footsie entrants, rose 57 to £31.09. One analyst said that, with an economic soft landing predicted, the newspaper group offered a highly desirable UK exposure while being sheltered from global competition.

PowerGen raced higher ahead of a trip for analysts and institutional investors to the its East Midlands Electricity operation today.

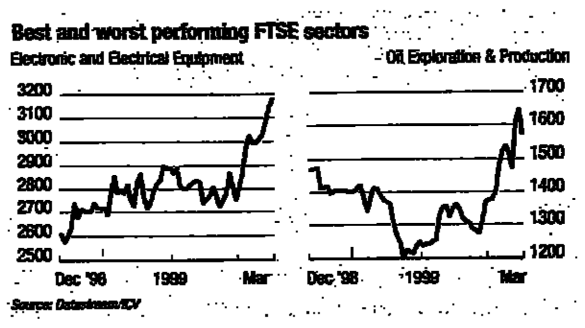
The visit will provide the first opportunity to have a close look at East Midlands, the country's third largest power supplier, which PowerGen acquired last summer for £1.9bn. Analysts also believe PowerGen might give some news on cost-cutting during the visit.

Finally, the bids are all in for two of PowerGen's coal-fired power stations at Ferrybridge, West Yorkshire, and Fiddler's Ferry in Cheshire. It is hoped that the disposals will be announced shortly with British Energy the favourite to acquire at least one of them. British Energy fell 11 to 557p and PowerGen rose 13 to 683p.

Shares in tour operator First Choice fell 14½ to 173p as the agreed merger with Kuoni of Switzerland disappointed those who were hoping for a bidding war. Brokers were also concerned that the company was vague on any short-term profit benefits and costs savings.

Football clubs bucked the market trend as reports suggested the Monopolies Commission would allow BSkyB's agreed purchase of Manchester United, sending the club up 9 to 240p.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Mar 15	Mar 12	Mar 11	Mar 10	Mar 9	Yr ago	*High	*Low
FT 30	3783.4	3832.8	3841.5	3805.1	3775.5	3660.6	4004.9	2790.6
Ord. div yield	2.73	2.70	2.68	2.72	2.74	3	4.22	2.72
P/E ratio net	23.21	23.49	23.61	23.31	23.13	23.63	25.41	15.80
P/E ratio nil	23.15	23.42	23.54	23.25	23.06	23.42	25.19	15.71

FT 30 since compilation: high 4004.9 7/15/98; low 49.4 6/26/40 Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3832.8	3813.4	3781.2	3788.4	3793.0	3792.4	3776.5	3792.8	3838.6	3765.6

 *For 1998/99.

STOCK MARKET TRADING DATA

	Mar 15	Mar 12	Mar 11	Mar 10	Mar 9	Yr ago
SEAQ bargains	92,595	93,301	97,294	84,331	82,675	92,904
Equity turnover (£m)†	-	5058.1	5814.5	3985.1	3786.9	4285.9
Equity bargains†	-	79,038	78,015	66,325	67,906	75,108
Shares traded (m)†	-	1053.4	1211.6	988.3	972.4	1024.0
Total market bargains‡	-	92,702	97,163	83,135	81,637	-
Total turnover (£m)‡	-	63337.6	7632.9	5053.4	4862.4	-
Total shrs traded (m)‡	1497.0*	1309.6	1563.7	1222.1	1193.3	-
Tradepoint turnover (£m)	25.73	43.8	40.4	30.4	25.9	31.75
Tradepoint shrs traded(m)	13.8	13.6	17.4	11.6	10.4	8.9

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	848	Total Highs	88	Total contracts	28,767
Total Falls	873	Total Lows	27	Calls	15,503
Same	1,336			Puts	13,264

Mar 15 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	6305.0	6199.0	-81.0	6305.0	6182.0	47703	140638
Jun	6347.0	6241.0	-81.5	6347.0	6205.0	28080	71806
Sep	-	6290.0	-81.0	-	-	0	3898

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	5510.0	-42.0	-	-	0	2299
Jun	-	5519.0	-42.0	-	-	0	7356

■ FTSE 100 INDEX OPTION (LIFFE) (*6207) £10 per full index point — Mar 15

	6050 C	6050 P	6100 C	6100 P	6150 C	6150 P	6200 C	6200 P	6250 C	6250 P	6300 C	6300 P	6350 C	6350 P	6400 C	6400 P
Mar	173	16	130½	25	92	39½	60	60	36½	88	17½	123½	9½	165½	4	216
Apr	287½	116	251	132½	221½	153½	191½	175	159	197	134½	224	115	253½	93½	283½
May	377	197	348½	216½	314	236	282½	258½	251	277	221	298½	198	328½	171	357½
Jun	439	253	409½	272	389	291	358	310½	330	330	290	350	266	376½	244½	404
Dec†			727½	499			662	535			609	572½			541	615

Calls 4,100 Puts 2,378

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point — Mar 15

	6025 C	6025 P	6075 C	6075 P	6125 C	6125 P	6175 C	6175 P	6225 C	6225 P	6275 C	6275 P	6325 C	6325 P	6375 C	6375 P
Mar	187	13	144	20	106	32	74	50	47	73	28½	104½	15½	141½	7½	163½
Apr	287½	111½	283	126½	231	144½	201	164	208½	186	242½	214½	216½	237½	192	264
May	395	193	361½	209½	328½	227½	298	247	268½	268	242½	290½	216½	314½	192	340
Jun	458	246			394	288			335	319			281½	364½		
Sept	626½	368½			566½	405			516½	447½			451	485		

Calls 6,067 Puts 4,650 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998/9 High	1998/9 Low	Stock	Close price p	+/-	Net div	Div cov.	Grs yld	P/E net
§175	F.P.	131.5	289½	205	Axon Group	269½	+12	-	-	-	-
-	F.P.	59.9	103½	99	Enhanced Zero Tst	99¾		-	-	-	-
*	F.P.	38.5	8	7	Gander Properties	7½	-¼	-	-	-	-
§	F.P.	47.7	100½	94¾	Jupiter Enhanced	100		-	-	-	-
§	F.P.	47.2	110	103¾	Do Zero Div Prf	106¾	-¼	-	-	-	-
-	F.P.	-	380	255	Luminar Warrants	270		-	-	-	-
-	F.P.	5.90	110½	107½	†NBA Quantum	110		W-	-	-	11.2
-	F.P.	12.2	156	55½	†Sports Internet	138½	+19	-	-	-	-
-	F.P.	-	142½	124½	Syzygy	138	+2½	-	-	-	34.0

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998/99 High	1998/99 Low	Stock	Closing price p	+or-
10	Nil	16/3	1¼pm	1pm	Brancote	1pm	
320	Nil	6/4	16pm	15pm	First Tech Cv Pf	16pm	
15	Nil	25/3	12pm	2pm	Oxford Biomedica	12pm	+9

pm premium.

FTSE GOLD MINES INDEX

	Mar 12	% chg on day	Mar 11	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (29)	957.55	-1.45	971.62	1061.92	1.94	965.44	1351.57	701.58
■ Regional Indices								
Africa (9)	1096.92	-1.50	1113.58	1016.35	3.78	1115.40	1489.04	765.63
Australasia (9)	1198.51	+3.68	1155.95	1288.15	2.64	1213.05	1600.53	815.93
Americas (11)	871.03	-2.68	895.01	1061.31	0.83	874.09	1317.41	647.69

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stlg Mar 15	Day's chge%	Euro Index	£ Stlg Mar 12	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6206.8	-1.2	7182.1	6282.2	5785.1	2.56	2.29	1.93	25.28	40.46	2766.20
FTSE 250	5518.9	-0.8	6386.1	5560.8	5367.8	2.98	2.65	2.08	20.16	27.13	3413.30
FTSE 250 ex Inv Tr	5567.9	-0.8	6442.8	5611.2	5408.3	3.08	2.75	2.16	18.77	27.43	2445.51
FTSE 350	2959.4	-1.1	3424.4	2993.2	2779.6	2.62	2.35	1.96	24.30	18.54	2695.31
FTSE 350 ex Inv Tr	2966.3	-1.1	3432.4	3000.6	2783.6	2.63	2.36	1.97	24.06	18.71	1385.89
FTSE 350 Higher Yield	2829.6	-1.1	3274.4	2860.2	2758.2	3.52	3.12	1.82	19.44	21.74	2216.39
FTSE 350 Lower Yield	3090.7	-1.2	3576.3	3128.2	2817.9	1.69	1.55	2.25	32.78	14.84	2274.02
FTSE SmallCap	2366.65	.....	2738.52	2367.80	2559.92	3.39	2.89	2.03	18.18	10.96	2100.43
FTSE SmallCap ex Inv Tr	2333.99	-0.1	2700.73	2335.52	2555.01	3.59	3.06	2.15	16.22	10.26	2094.49
FTSE All-Share	2863.52	-1.1	3313.47	2894.74	2710.61	2.66	2.37	1.96	23.92	17.72	2646.87
FTSE All-Share ex Inv Tr	2874.26	-1.1	3325.90	2906.12	2717.14	2.67	2.39	1.98	23.59	17.91	1367.08
FTSE Fledgling	1286.33	+0.3	1488.46	1281.85	1391.57	3.75	3.11	1.44	23.20	5.05	1454.43
FTSE Fledgling ex Inv Tr	1297.33	+0.4	1501.18	1292.22	1414.21	4.28	3.55	1.49	19.61	5.25	1475.23
FTSE All-Small	1339.86	.....	1550.40	1339.47	1449.41	3.47	2.93	1.89	19.04	6.01	1517.80
FTSE All-Small ex Inv Tr	1346.96	.....	1558.61	1346.61	1473.15	3.73	3.16	2.00	16.80	5.83	1537.17
FTSE AIM	860.0	+1.5	995.2	847.4	1042.4	1.29	1.08	30.00†	0.12	1.21	800.95

■ FTSE Actuaries Industry Sectors

	£ Stlg Mar 15	Day's chge%	Euro Index	£ Stlg Mar 12	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(16)	4490.12	.....	5195.66	4490.11	4510.55	3.11	2.80	1.12	36.03	26.99	2109.23
12 Extractive Industries(6)	3337.46	+0.1	3861.88	3334.80	3214.06	3.82	3.58	2.01	16.27	69.75	1101.10
15 Oil, Integrated(3)	5200.70	+0.1	6017.89	5193.60	4965.82	3.07	2.74	1.03	39.60	23.20	2507.83
16 Oil Exploration & Prod(9)	1575.60	-4.2	1823.18	1644.94	3298.12	2.04	1.90	‡	‡	7.97	991.90
20 GEN INDUSTRIALS(189)	2029.28	-0.5	2348.14	2039.34	2186.92	3.42	3.09	2.35	15.51	15.49	1224.48
21 Construction(37)	1499.89	-0.4	1735.57	1506.05	1618.90	3.27	2.83	3.31	11.54	8.10	1368.74
22 Building Matls & Merchs(23)	1806.23	-1.9	2090.05	1840.96	1893.21	4.10	3.68	2.25	13.56	0.60	1007.90
23 Chemicals(20)	2028.65	-0.3	2347.42	2034.82	2814.34	4.75	4.52	1.58	16.71	39.78	1076.91
24 Diversified Industrials(4)	1023.48	+0.4	1184.30	1019.36	1477.36	6.41	5.65	1.08	18.12	5.26	652.85
25 Electronic & Elect Equip(25)	3178.59	+1.0	3678.05	3145.88	2355.48	2.34	2.03	2.04	26.25	16.58	1792.11
26 Engineering(53)	2515.11	-0.5	2910.31	2526.55	2937.75	3.33	3.01	2.38	15.75	19.03	1868.81
27 Engineering, Vehicles(10)	4493.93	-1.7	5200.07	4572.95	3946.79	2.06	1.90	4.39	13.83	34.12	2523.07
28 Paper, Pckg & Printing(17)	1755.17	-0.1	2030.96	1757.15	2261.25	6.09	5.38	2.22	9.24	25.92	823.23
30 CONSUMER GOODS(81)	5878.76	-0.4	6802.50	5904.82	5858.21	2.30	2.20	1.93	28.13	31.27	2363.57
32 Alcoholic Beverages(5)	3737.11	-1.1	4324.32	3780.39	3770.21	3.35	3.33	2.33	16.00	0.34	1498.27
33 Food Producers(26)	3348.41	-1.3	3874.55	3392.50	3827.07	2.71	2.49	2.15	21.42	16.92	1649.33
34 Household Goods & Texts(13)	2096.15	+0.2	2425.52	2091.75	3375.72	4.84	4.57	1.68	15.33	6.06	902.55
36 Health Care(14)	2551.69	-0.6	2952.64	2567.39	2347.21	2.10	1.87	1.97	30.21	2.36	1649.56
37 Pharmaceuticals(20)	10634.57	+0.1	12305.59	10619.64	9558.29	1.66	1.60	1.81	41.63	71.49	3857.46
38 Tobacco(3)	6692.48	-2.4	7744.08	6855.61	5191.77	4.77	4.48	1.46	17.92	43.60	1919.15
40 SERVICES(281)	3890.65	-1.7	4501.99	3958.62	3268.16	2.18	1.84	2.13	26.99	10.83	2170.70
41 Distributors(25)	1997.13	-0.1	2310.94	1998.80	2733.09	4.57	3.96	2.06	13.30	6.25	805.25
42 Leisure & Hotels(37)	3975.78	-1.9	4600.49	4052.21	3731.60	2.21	2.08	3.03	18.69	33.25	2293.39
43 Media(45)	5294.05	-0.6	6125.91	5325.79	4375.84	1.84	1.70	2.28	29.73	28.27	2034.34
44 Retailers, Food(13)	2400.76	-0.1	2777.99	2403.56	2897.47	3.79	3.05	2.16	15.23	4.57	1658.51
45 Retailers, General(41)	2379.47	-0.6	2753.38	2394.47	2338.90	3.15	2.53	2.07	19.20	5.99	1476.31
46 Telecommunications(7)	6106.16	-3.3	7065.63	6316.18	3589.12	1.47	1.21	1.64	51.74	4.51	3012.19
47 Breweries, Pubs & Rest.(22)	3860.45	-1.0	4467.04	3901.23	4118.06	3.25	2.65	2.20	17.41	16.56	2012.57
48 Support Services(68)	5160.04	-1.4	5970.85	5235.90	4529.49	1.19	1.08	2.89	36.28	3.81	3422.57
49 Transport(29)	3598.00	-1.3	4163.36	3645.35	3359.90	2.89	2.48	1.98	21.85	15.32	1631.53
60 UTILITIES(29)	3727.57	-0.9	4313.29	3763.26	3666.12	4.18	3.61	1.84	16.31	11.51	1818.87
62 Electricity(7)	4101.02	-0.6	4745.41	4125.71	4154.43	4.70	3.89	1.31	20.36	9.64	2455.24
64 Gas Distribution(2)	3155.32	-1.9	3651.12	3217.41	2692.78	2.00	1.78	2.71	23.10	0.00	1839.25
68 Water(11)	3016.27	-0.5	3490.22	3031.27	3229.98	5.56	5.13	2.35	9.56	24.10	1915.71
69 NON-FINANCIALS(589)	2887.64	-1.0	3341.37	2915.92	2682.77	2.63	2.34	1.93	24.67	12.96	2393.82
70 FINANCIALS(120)	5674.25	-1.5	6565.85	5758.39	5648.14	2.80	2.53	2.13	20.91	64.08	2688.40
71 Banks, Retail(12)	8845.94	-1.4	10235.91	8975.55	8259.88	2.77	2.47	2.23	20.25	125.51	3183.71
73 Insurance(21)	2366.96	-1.4	2738.88	2400.99	2845.21	2.90	2.76	2.07	20.86	29.54	2009.43
74 Life Assurance(8)	6736.05	-2.0	7794.50	6870.18	7156.08	2.81	2.87	1.96	22.67	11.74	3041.63
77 Other Financial(31)	4330.28	-1.1	5010.70	4378.29	4563.59	2.47	2.15	2.11	23.94	11.04	2682.32
79 Property(48)	1941.06	-1.1	2246.06	1963.29	2372.25	3.26	2.83	1.68	22.80	9.19	1299.96
80 INVESTMENT TRUSTS(117)	3858.92	-0.4	4462.97	3873.02	3826.45	2.19	1.84	1.15	49.47	18.01	1425.58
89 FTSE All-Share(826)	2863.52	-1.1	3313.47	2894.74	2710.61	2.66	2.37	1.96	23.92	17.72	2646.87
105 FTSE All-Share ex Inv Tr(709)	2874.26	-1.1	3325.90	2906.12	2717.14	2.67	2.39	1.98	23.59	17.91	1367.08
Information Technology	1837.39	-2.2	2126.10	1878.10	1453.90	0.50	0.43	4.65	51.66	1.44	1848.57

■ Hourly movements

	9.03	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	6259.2	6256.9	6199.7	6208.3	6210.7	6202.7	6179.8	6212.3	6280.8	6159.4
FTSE 250	5560.0	5556.5	5540.6	5537.7	5537.5	5534.0	5527.9	5520.7	5562.8	5518.9
FTSE 350	2983.9	2982.7	2958.4	2960.8	2962.5	2959.0	2949.3	2961.7	2992.3	2941.1
FTSE SmallCap	2369.58	2369.98	2368.29	2367.13	2367.29	2367.21	2367.36	2367.01	2370.85	2366.65
FTSE All-Share	2886.29	2885.19	2862.71	2864.86	2866.48	2863.23	2854.30	2865.73	2894.06	2846.74

Time of FTSE 100 Day's high: 9:34:45 Day's low: 16:30:45. FTSE 100 1998/99 High: 6335.7 (11/03/99) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 9:36:00 Day's low: 15:31:00. FTSE All-Share 1998/99 High: 2908.30 (11/03/99) Low: 2169.07 (05/10/98)

Further information is available on http://www.ftse.com.

 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Name Change: Eurocamp Plc to Holidaybreak Plc.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	1,332	621	-4
AMVESCAP	1,018	610	-12
ASDA Group	12,680	145¼	+1
Abbey National	1,538	1295	-8
Alliance & Leicester	1,147	821	+7½
Allied Domecq	4,186	496xd	+5
Allied Zurich	8,288	870½	+1½
Anglian Water	1,533	716	-8
Assoc. Brit. Foods	1,027	430½	-18½
BAA	3,850	684	-16½
BOC	1,345	880½	-2
BG	7,027	357	-7
BP Amoco	26,788	973½	-2
BSkyB	5,775	557¼	-5½
BT	21,330	1058	-26½
BTR Siebe	18,724	289	-4
Bank of Scotland	3,177	842½	-28
Barclays	3,516	1832	-32
Bass	7,863	825½	-38½
Billiton	3,136	149¼	+1½
Blue Circle†	2,598	352	-18½
Boots	2,608	935	-3
Britannic Assurance†	288	1016	+9
Brit. Aerospace	5,193	402½	-9
British Airways	2,609	442	+2¾
Brit. Amer. Tobacco	4,028	531½	-17½
British Energy	2,858	557	-11
British Land†	1,223	530½	-22½
CGU	2,498	906½	-20
CMG	392	1872	+2
COLT Telecom	4,401	939	-51
Cable & Wireless	528,500	751	-79½
Cadbury Schweppes	2,872	801½	-11
Carlton Comms.	1,620	617½xd	-11½
Centrica	12,818	113½	-2½
Compass	3,430	703	-4½
Daily Mail & Gen.	186	3109	+57
Diageo	7,497	684½	-7
Dixons	3,024	1294½	-40
EMI	3,149	410	-19
Foreign & Col. I T	868	201½	-2
General Electric	8,853	589	+7½
Gallaher	3,389	373xd	+4
Glaxo Wellcome	4,761	1855	+12
Granada	2,823	1284	-48½
GUS	2,565	780	-13
GRE	3,407	348½	-1½
GKN	2,506	984xd	-21½
HSBC (75p shs)	2,814	1902	-33
HSBC (HK$10)	3,077	1878	-21
Halifax	5,584	786	-16½
Hanson	834	569	-25½
Hays	2,647	579	-12½
ICI	3,528	547	+11
Imperial Tobacco	852	645½	-1½
Kingfisher	4,345	813½	+13½
Ladbroke	6,417	307½	-8
Land Securities	1,190	851	-14½
Legal & General	2,324	785½	-28½
Lloyds TSB	8,336	978½	-12½
LucasVarity	780	285½	+½
Marks & Spencer	5,491	385½	-4
NatWest Bank	4,164	1448	-15
National Grid	7,080	423½	-½
National Power	5,786	487½	-11½
Northern Rock	1,481	523	+6
Norwich Union	5,222	444½	-8½
Orange	4,180	886½	-19½
Pearson	1,289	1279	-21
P & O	1,232	741	-1
PowerGen	2,045	683	+13
Prudential	8,302	753	-15
Railtrack	2,829	1408	-39
Reckitt & Colman	6,080	735½	+3
Reed Intl.	8,842	525½	+25½
Rentokil Initial	12,135	258½	-5½
Reuters	3,268	834½xd	-8½
Rio Tinto	4,243	887xd	+19
Rolls Royce	8,983	274½	-3½
Royal & Sun Alliance	7,237	508xd	-5½
Royal Bank Scotland	3,054	1246½	-18½
Safeway	2,224	249	-½
Sainsbury	8,843	347½	+2½
Schroders	273	1382	-33
Schroders n/v	25	1168	-2
Scottish & Newcastle	1,678	720	+1½
Scot. & Sthn Energy	2,216	633	+½
Scottish Power	5,287	541	-4½
Securicor	1,510	531½	-17
Severn Trent	2,777	846	+7
Shell Transport	21,577	390½	+3¾
SmithKline Beecham	8,242	853½	-4
Smiths Inds.	598	1074	+18
[illegible]	2,161	637	-8
Stagecoach	1,727	248	-7½
Standard Chartered	5,509	897½	-42½
Sun Life & Provincial	1,072	477	-4
TeleWest Comms.	11,542	243½	-20½
Tesco	17,579	162	-2½
Thames Water	1,147	942	-13
Tomkins	3,260	224½	-8½
Unilever	12,885	587	-6
Utd. News & Media	3,004	593xd	-7
United Utilities	2,931	745½	-10
Vodafone	11,162	1120½	-10
WPP	1,581	529½	+18
Whitbread	2,836	975	
Williams	4,792	382	+½
Woolwich	1,909	377	-11½
Zeneca	2,861	2408	-8

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 index reserve. All trades are rounded. Source: Financial Times Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Mar 15) 1 € = 13.76030 Sch

[illegible]

BELGIUM/LUX (Mar 15) 1 € = 40.33990 Frs.

[illegible]

FINLAND (Mar 15) 1 € = 5.94573 Mka

[illegible]

FRANCE (Mar 15) 1 € = 6.55957 Frs.

[illegible]

GERMANY (Mar 15) 1 € = 1.95583 Dm.

[illegible]

IRELAND (Mar 15) 1 € = 0.78756 Punt

[illegible]

ITALY (Mar 15) 1 € = 1936.27000 Lire

[illegible]

NETHERLANDS (Mar 15) 1 € = 2.20371 Fl.

[illegible]

PORTUGAL (Mar 15) 1 € = 200.48200 Esc.

[illegible]

SPAIN (Mar 15) 1 € = 166.38600 Pts.

[illegible]

EUROPE (NON-EMU)

CZECH REP (Mar 15 / Koruna)

[illegible]

DENMARK (Mar 15 / Kr)

[illegible]

GREECE (Mar 15 / Drachma)

[illegible]

NORWAY (Mar 15 / Kroner)

[illegible]

POLAND (Mar 15 / Zloty)

[illegible]

SWEDEN (Mar 15 / Kronor)

[illegible]

SWITZERLAND (Mar 15 / Frs.)

[illegible]

TURKEY (Mar 15 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Mar 15 / Yen)

[illegible]

HONG KONG (Mar 15 / H.K.$)

[illegible]

INDONESIA (Mar 15 / Rupiah)

[illegible]

MALAYSIA (Mar 15 / MYR)

[illegible]

NEW ZEALAND (Mar 15 / NZ $)

[illegible]

SINGAPORE (Mar 15 / S$)

[illegible]

AUSTRALIA (Mar 15 / Aust$)

[illegible]

SOUTH KOREA (Mar 15 / Won)

[illegible]

TAIWAN (Mar 15 / TW $)

[illegible]

THAILAND (Mar 15 / Baht)

[illegible]

AMERICAS

CANADA

TORONTO (Mar 15 / Can $) 4 pm close

[illegible]

MONTREAL (Mar 15 / Can $) 4 pm close

[illegible]

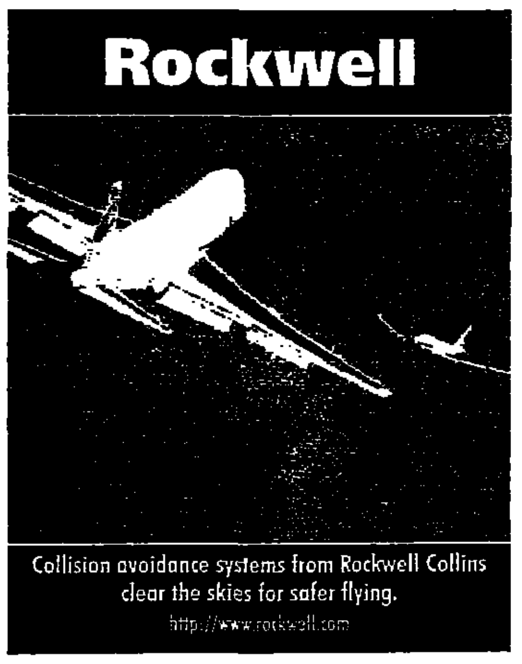
MEXICO (Mar 15 / Peso) 12.30 pm

[illegible]

AFRICA

SOUTH AFRICA (Mar 15 / Rand)

[illegible]



FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MARCH 12 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY MARCH 11 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	215.38	0.5	195.43	162.29	226.64	225.27	0.2	3.35	214.08	195.10	162.48	227.58	224.72	219.96	183.88	211.70
Austria (21)	186.82	1.9	169.51	140.77	173.46	173.46	0.8	1.93	183.36	167.11	139.17	172.00	172.00	253.73	185.27	208.36
Belgium (22)	378.53	1.5	343.45	285.21	344.11	344.11	0.8	1.96	372.56	339.53	282.76	342.16	342.16	446.95	290.81	290.81
Brazil (29)	111.25	-2.9	100.94	83.82	117.06	390.60	-1.8	5.94	114.60	104.44	86.98	121.83	397.62	269.34	89.32	253.30
Canada (113)	205.08	-0.2	186.08	154.53	215.80	226.25	-0.2	1.76	205.58	187.35	156.03	218.55	226.59	248.78	159.94	240.34
Denmark (34)	415.29	1.3	376.81	312.91	436.99	383.67	0.3	1.83	409.90	373.56	311.10	435.75	382.40	537.33	409.90	474.22
Finland (29)	648.76	0.5	588.64	488.82	739.74	739.74	-0.5	1.57	645.52	588.29	489.94	743.62	743.62	661.25	338.48	360.51
France (74)	322.00	0.8	292.17	242.62	302.77	302.77	-0.2	1.93	319.42	291.10	242.43	303.43	303.43	354.45	253.86	272.54
Germany (55)	259.82	6.3	235.75	195.77	241.42	241.42	5.3	1.61	244.30	222.64	185.42	229.33	229.33	325.61	226.35	257.59
Greece (36)	424.35	3.1	385.03	319.74	446.52	893.49	2.1	0.97	411.39	374.92	312.24	437.34	875.30	429.65	211.47	–
Hong Kong, China (66)	314.19	1.6	285.08	236.74	330.61	312.57	1.6	3.71	308.08	281.68	234.59	328.58	307.50	382.52	196.64	341.39
Indonesia (24)	42.90	1.9	38.93	32.33	45.14	242.13	-0.7	1.20	42.10	38.37	31.95	44.75	243.74	64.52	19.04	43.58
Ireland (14)	535.57	0.8	485.94	403.54	543.10	543.10	-0.4	1.89	532.53	485.32	404.18	545.58	545.58	605.85	396.15	493.38
Italy (53)	171.10	-0.7	155.25	128.92	226.10	226.10	-1.7	1.46	172.35	157.07	130.81	230.08	230.08	192.64	128.68	143.95
Japan (445)	105.02	0.7	95.29	79.13	110.50	79.13	0.0	0.94	104.31	95.06	79.17	110.89	79.17	105.02	76.83	100.17
Mexico (29)	1388.68	0.1	1260.00	1046.34	1461.24	14827.81	0.3	1.73	1387.56	1264.55	1053.13	1475.09	14787.09	1733.73	787.15	1571.67
Netherlands (26)	494.24	2.1	448.45	372.40	454.26	454.26	1.1	2.10	484.12	441.20	367.44	449.54	449.54	562.73	394.92	461.35
New Zealand (18)	64.04	1.4	58.11	48.25	67.39	63.64	1.1	4.44	63.17	57.57	47.94	67.15	62.97	77.84	45.68	75.95
Norway (37)	240.84	3.1	218.53	181.47	253.43	254.50	2.1	1.89	233.88	212.94	177.34	248.39	249.32	357.71	181.85	321.17
Philippines (22)	86.25	-0.4	78.26	64.99	90.76	167.63	-0.4	0.97	86.56	78.89	65.70	92.02	168.24	106.98	42.48	94.24
Portugal (18)	229.84	0.3	208.54	173.18	288.20	288.20	-0.8	1.14	229.22	208.90	173.97	290.39	290.39	299.39	194.13	–
Singapore (40)	214.43	1.5	194.56	161.57	225.63	171.18	1.2	1.59	211.30	192.57	160.37	224.63	169.06	246.74	102.45	220.48
South Africa (34)	208.30	0.2	189.00	156.95	219.19	281.16	0.6	3.38	207.88	189.45	157.77	220.99	279.35	346.20	151.55	289.59
Spain (30)	384.35	0.1	348.74	289.60	442.71	442.71	-1.0	1.58	384.11	350.05	291.53	446.98	446.98	435.19	290.81	345.70
Sweden (43)	517.07	0.8	469.16	389.80	544.09	620.56	0.0	1.99	513.25	467.74	389.54	545.62	620.38	628.19	379.18	545.44
Switzerland (30)	398.35	-0.1	361.44	300.15	419.17	360.81	-0.8	1.18	398.70	363.35	302.60	423.84	363.77	441.65	307.73	389.08
Thailand (31)	22.84	1.6	20.72	17.21	24.03	33.12	0.9	2.72	22.48	20.49	17.06	23.90	32.84	33.84	8.15	30.75
United Kingdom (202)	401.08	-0.1	363.91	302.20	422.03	363.91	-0.8	2.62	401.66	366.05	304.85	426.99	366.05	401.84	307.98	375.39
USA (610)	534.24	-0.2	484.73	402.53	562.15	534.24	-0.2	1.24	535.17	487.72	406.18	568.93	535.17	535.17	390.12	436.88
Americas (781)	473.65	-0.2	429.76	356.88	498.40	402.24	-0.2	1.26	474.53	432.46	360.16	504.47	402.86	474.53	347.59	398.42
Europe (724)	358.33	1.1	325.13	270.00	377.06	339.76	0.3	2.01	354.59	323.15	289.12	376.95	338.84	386.24	282.63	330.86
Eurobloc (342)	101.09	2.1	91.72	76.17	101.66	101.66	1.1	1.76	99.01	90.23	75.15	100.60	100.60	113.92	81.53	–
Nordic (143)	499.46	0.9	453.18	378.33	525.56	519.82	0.0	1.84	494.99	451.11	375.69	526.22	519.60	555.97	360.04	473.29
Pacific Basin (721)	112.91	0.8	102.45	85.08	118.81	87.67	0.1	1.43	112.05	102.12	85.04	119.12	87.55	113.74	82.88	110.48
Euro-Pacific (1445)	214.83	1.0	194.92	161.87	226.06	182.32	0.2	1.84	212.76	193.90	161.48	226.18	181.90	221.79	166.00	202.37
North America (723)	511.83	-0.2	464.40	385.65	538.57	512.93	-0.2	1.26	512.73	467.27	389.15	545.07	513.83	512.73	374.92	424.47
Europe Ex. UK (522)	326.10	1.7	295.88	245.71	343.14	318.02	0.7	1.68	320.62	292.19	243.34	340.84	315.70	368.32	260.93	298.07
Europe Ex. Eurobloc (382)	100.35	0.0	91.05	75.61	105.59	101.70	-0.5	2.26	100.31	91.41	76.13	106.63	102.21	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (180)	96.42	0.5	87.49	72.65	101.46	96.67	-0.3	1.42	95.98	87.47	72.84	102.03	96.96	109.21	75.16	–
Pacific Ex. Japan (276)	189.82	1.1	172.23	143.02	199.74	193.89	0.9	3.34	187.70	171.06	142.46	199.54	192.18	216.04	128.26	203.72
World Ex. Eurobloc (1918)	109.85	0.0	99.67	82.77	115.59	109.13	-0.2	1.49	109.85	100.11	83.37	116.78	109.33	109.85	83.09	–
World Ex. US (1650)	214.19	0.9	194.34	161.39	225.38	187.45	0.2	1.86	212.30	193.48	161.13	225.69	187.05	221.91	165.95	206.37
World Ex. UK (2058)	309.31	0.4	280.65	233.06	325.48	280.14	0.1	1.40	308.18	280.86	239.90	327.62	279.94	311.48	236.11	271.70
World Ex. Japan (1815)	422.85	0.3	383.67	318.61	444.85	417.65	0.0	1.60	421.70	384.32	320.06	448.30	417.62	427.99	320.58	370.43
The World Index (2260)	317.21	0.3	287.82	239.01	333.79	287.82	0.0	1.53	316.22	288.19	240.00	336.17	287.82	318.51	242.36	280.47

Emerging markets: IFC investable indices

Dollar terms

Mar 12 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	793.48	-0.7	-0.5
Brazil	235.12	-2.8	-14.5
Chile	495.91	+0.8	+9.9
Colombia[1]	368.58	-0.9	-16.6
Mexico	578.71	-0.1	+20.2
Peru[2]	139.00	-0.3	+3.4
Venezuela[3]	360.86	+1.4	-20.4
East Asia			
China[4]	23.61	+0.4	-9.8
India[7]	77.50	+0.8	+20.7
Indonesia[6]	20.14	+2.0	-16.8
Korea[5]	52.90	+1.2	-0.2
Malaysia	81.12	+1.0	-8.4
Pakistan[8]	108.10	-0.8	+12.2
Philippines	118.81	-0.4	-3.5
Sri Lanka[10]	66.00	-1.0	-19.9
Taiwan, China[9]	117.75	+0.6	+1.7
Thailand	59.48	+1.1	-5.8
Europe			
Czech Rep	42.07	+1.0	-17.1
Greece	782.09	+3.0	+23.1
Hungary[11]	258.15	+0.8	-7.7
Poland[12]	502.85	+2.9	-4.0
Portugal	252.38	+0.8	-10.2
Russia	37.55	+3.0	+80.1
Slovakia	35.11	+0.4	-19.5
Turkey[14]	206.94	+1.0	+41.4
Mideast/Africa			
Egypt	73.10		+13.4
Israel	117.54	-0.0	+15.0
Jordan	235.35	+0.1	+8.7
Morocco	154.68	-2.0	-7.7
S Africa[13]	144.97	-0.1	+15.8
Zimbabwe[15]	117.39	+1.4	+11.4
Regions			
Composite	197.33	+0.4	+5.7
Latin America	430.18	-0.8	+2.5
Asia	106.76	+0.8	-0.2
EMEA	129.08	+0.9	+13.0
Europe	168.40	+1.9	+12.4
Eastn Europe	80.87	+2.0	+4.7
ME & Africa	80.91	-0.2	+13.6
Comp + Malay	198.42	+0.4	+4.7
Asia + Malay	106.04	+0.9	-1.9

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

4 pm close March 15

NEW YORK STOCK EXCHANGE PRICES

Price data supplied by Financial Times Information.

Yearly highs and lows for NYSE reflect the period from Jan.1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Mar 12	Mar 11	Mar 10	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9876.35	9897.44	9772.84	9897.44 (11/3/99)	7539.07 (31/8/98)	9897.44 (11/3/99)	41.22 (8/7/32)
Home Bonds	104.43	104.25	104.38	107.17 (9/12/98)	104.13 (25/3/99)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3267.51	3257.85	3289.95	3686.02 (16/4/98)	2345.00 (8/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	304.51	301.57	298.63	320.51 (8/10/98)	282.66 (8/1/98)	320.51 (8/10/98)	10.53 (8/7/32)

DJ Ind. Day's high 10042.58(9892.38) Low 9779.78 (9742.32) (Theoretical)♣
Day's high 9958.77(9935.49) Low 9861.92 (9789.96) (Actual)♣

Standard and Poors	Mar 12	Mar 11	Mar 10	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1294.59	1297.68	1286.84	1297.68 (11/3/99)	927.69 (8/1/98)	1297.68 (11/3/99)	4.40 (1/6/32)
Industrials♥	1549.16	1553.36	1539.87	1553.36 (11/3/99)	1077.40 (8/1/98)	1553.36 (11/3/99)	3.52 (30/6/32)
Financial♥	143.77	144.37	143.32	147.88 (14/7/98)	95.80 (8/10/98)	147.88 (14/7/98)	7.13 (4/8/74)
Others							
NYSE Comp.	611.54	611.67	608.48	611.67 (11/3/99)	477.20 (8/10/98)	611.67 (11/3/99)	4.84 (25/4/42)
Amex Comp	721.21	721.85	715.14	753.67 (22/4/98)	563.75 (8/10/98)	753.67 (22/4/98)	524.20 (15/7/98)
NASDAQ Cmp	2381.54	2412.25	2406.01	2510.09 (1/2/99)	1419.12 (8/10/98)	2510.09 (1/2/99)	54.87 (3/10/74)
Russell 2000	398.38	401.08	401.12	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Mar 12	Mar 5	Feb 26	Year ago
Dow Jones Ind. Div. Yield	1.60	1.59	1.67	1.63
	Mar 10	Mar 3	Feb 24	Year ago
S & P Ind. Div. yield	1.12	1.17	1.14	1.35
S & P Ind. P/E ratio	40.71	38.32	38.67	29.26

US DATA

MARKET ACTIVITY

● Volume (million)

	Mar 12	Mar 11	Mar 10
NYSE	825.860	909.630	845.250
Amex	27.616	32.818	27.630
NASDAQ	922.097	1009.56	940.787

NYSE	Mar 12	Mar 11	Mar 10
Issues Traded	3,549	3,550	3,554
Rises	1,393	1,738	1,664
Falls	1,537	1,265	1,339
Unchanged	619	547	561
New Highs	61	86	65
New Lows	85	81	89

NYSE TRADING ACTIVITY

Volume : 825,888,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
RiteAid	46,320,600	22⅝	−14⅜
Compaq	28,156,000	30⅛	
AmOnLine	13,520,400	95⅞	+3
McHBOC	10,071,900	59⅞	+2⅞
Citigrp	8,814,500	66	+⅛
AT&T	8,581,800	81⅛	−1⅞
Merck	8,229,700	84	+1⅞
Motorola	7,907,400	66⅞	+⅛
PhMorr	7,503,600	38⅞	−⅞
Disney	6,829,700	36⅛	+1⅞

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
PiontH	34⅛	+9⅞	+40.1
UtdIndust	11⅞	+1⅛	+14.6
Dillrd	26⅛	+2⅞	+12.6
Sonat	30⅛	+3⅛	+11.3
Downs			
RiteAid	22⅛	−14⅛	−38.0
Cmplr	44⅞	−5⅞	−11.7
Airbne Frt	31⅞	−3⅞	−10.8
Kennml	18⅞	−1⅞	−8.5

NASDAQ TRADING ACTIVITY

Volume :922,097,000

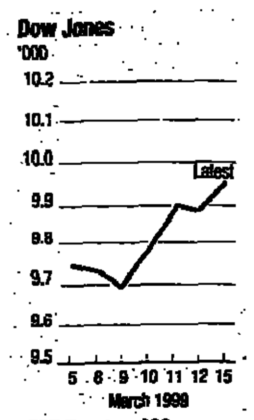
ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Oracle	100.95m	28⅛	−8⅛
DellCmp	33,135,400	42⅛	+⅛
Sisian	24,736,000	8⅞	−6⅛
Micsft	18,208,300	160⅛	−1⅞
Intel	17,020,500	118⅞	+⅞
Cmpware	9,132,500	23⅞	−⅞
ChancMed	9,002,500	44⅞	
CiscoSys	8,798,900	103⅞	−2⅞
BMC Softw	8,131,200	36⅞	−1⅞
MCIWcom	7,760,400	85⅞	+⅛

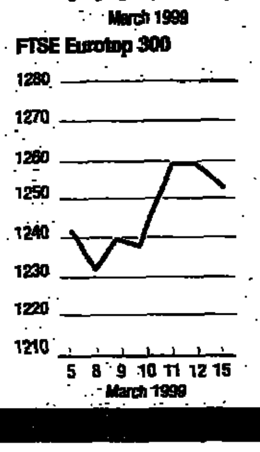
BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
DoubleClic	131	+24⅛	+23.1
Aradigics	17⅞	+2⅞	+18.8
RCN Cp	30⅞	+4	+15.2
Nicotan I	10⅞	+1⅛	+13.9
Downs			
Oracle	28⅛	−8⅛	−22.5
United St	15⅛	−1⅞	−11.4
Remedy	16	−1⅞	−10.5
HolywEnt	20⅛	−2⅞	−10.4

Dow Jones



FTSE Eurotop 300



JAPAN

	Mar 15	Mar 12	Mar 11	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	15779.60	15488.86	15502.14	17264.3	12880	38915.9	85.25

Day's high: 15790.34 Day's low: 15404.10

TOKYO TRADING ACTIVITY

Volume : 741,49,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
NissMt	21,316,000	454	+53
ShokLt	19,897,000	151	+7
Nshohw	18,435,000	110	+20
Haseko	17,838,000	73	+11
NpSu	17,351,000	237	+6
Sakura	14,641,000	325	+2
FujiBk	11,632,000	830	+27
Kmatsu	11,174,000	148	+8
MKTrB	10,748,000	148	+13
BTokM	10,324,000	1560	+55

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Nshohw	110	+20	+22.2
Haseko	73	+11	+17.7
NisDel	208	+28	+15.6
FujiCp	80	+10	+14.3
SatoKg	115	+14	+13.9
NissMt	454	+53	+13.2
TomCrp	116	+13	+12.6
Downs			
JpAirpTrm	884	−76	−7.9

GERMANY

	Mar 15	Mar 12	Mar 11	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DAX	5029.24	5008.16	4754.41	6171.43	3896.08	6171.43	931.18

Day's high: 5062.85 Day's low: 4991.34

FRANKFURT TRADING ACTIVITY

Volume : 9,730,019

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
BASF	911.064	33.8	+1.2
Bayer	654,748	34.5	−0.15
Commzbk	429,676	38	+0.8
H'chst	393,387	42.1	−0.4
DrsdBk	391,930	37.7	+1.3
DmlrCh	351,885	84.2	−0.3
Lufthn	330,711	19.61	+0.11
RWE	286,992	44	−2.4
Dr Bk	280,121	51.3	+0.2
Veba	230,942	53.9	+1.3

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
BerlV	23.5	+2.5	+11.9
KruppF	136.5	+8.5	+7.5
Thyssn	177.5	+11.5	+6.9
DidWrk	75	+4	+5.6
Downs			
AgMnRg	105	−12	−10.3
RWE Pf	27.75	−3.15	−10.2
AachMunBr	88	−9	−9.3
Kiekrt	26.55	−1.45	−5.2

FRANCE

	Mar 15	Mar 12	Mar 11	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	4185.12	4175.03	4184.38	4388.48	2862.54	4388.48	984.61

Day's high: 4195.54. Day's low: 4136.59.

PARIS TRADING ACTIVITY

Volume : 830,357,080

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Paribas	1,813,358	100.1	−3.2
BNP	1,274,148	78	−2
FrTele	1,119,186	79	+0.7
SocGen	845,639	164	+0.3
Axa	746,268	122.4	+1.9
Renault	718,543	35.4	−0.43
TotalB	677,830	106.3	−0.2
Schndr	663,378	50.6	+0.25
RhonPA	638,435	41	−0.15
Lgrdr	608,847	32.6	+0.5

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
CPR	40.86	+1.91	+4.9
Legrnd	190	+7	+3.8
Sidel	70	+2.5	+3.7
CGIP	48.92	+1.66	+3.5
Downs			
Legris	37.05	−2.15	−5.5
Sanofi	163.4	−7	−4.1
Canal+	256.5	−10.5	−3.9
Rexel	74.3	−2.7	−3.5

UK

	Mar 15	Mar 12	Mar 11	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
FTSE 100	6206.8	6292.2	6335.7	6335.7	4648.7	6335.7	986.9

Day's High: 6292.2 Day's low: 6159.4.

LONDON TRADING ACTIVITY

Volume : 1,487,000,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Cable & Wrles	528.5m	751	−79½
BP Amoco	26,768,210	973½	−2
Signet	26,215,590	48¾	−1¼
Shell T&T	21,577,010	390¼	+3¾
BT	21,330,250	1058	−26½
BTR Siebe	18,724,270	289	+4
Tesco	17,578,870	182	−2½
Electrcmpnts	15,488,870	439¼	−2¼
Unilever	12,894,970	587	−6
Asda	12,889,270	145¼	+1

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Prestwick	14½	+5	+52.6
Oxford Bio	27	+9	+50.0
CALA	157½	+50	+46.5
Water Hall	19½	+6	+44.4
Downs			
HW Grp	82½	−37½	−31.3
Alliance Res	4½	−1½	−25.0
SuperscapeVR	149	−41	−21.6
Beckland	7½	−1½	−16.7

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	1294.00	1308.50	+17.20	1310.00	1292.00	46,341	163,941
Jun	1305.10	1320.50	+16.70	1322.00	1303.00	113,507	259,843
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Jun	15470.0	15770.0	-	15790.0	15320.0	29,125	190,035
Sep	15490.0	15620.0	-	15620.0	15490.0	703	3,394

Open interest figures for previous day.

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	4210.0	4197.0	+22.0	4213.0	4142.0	43,096	137,777
Apr	4187.0	4199.0	+22.5	4204.0	4153.0	2,412	2,417
DAX							
Mar	5020.0	5047.0	+12.0	5087.0	4989.5	53,378	230,583
Jun	5047.5	5079.0	+14.0	5117.0	5021.0	18,233	168,061

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Mar	723.00	717.00	−3.50	723.00	714.00	11,033	117,313
Apr	719.50	716.00	−4.50	720.25	713.50	2,538	6,161
EUREX							
Mar	7287.0	7247.0	−13.0	7300.0	7204.0	27,283	123,941
Jun	7231.0	7198.0	−14.0	7245.0	7169.0	16,755	31,706

WORLD MARKETS AT A GLANCE

Country	Index	Mar 15	Mar 12	Mar 11	1998/99 High	1998/99 Low	♣ Yield	♣ P/E
Argentina	General	17473.62	17288.42	17435.56	23485.50 23/3/98	12308.10 10/9/98	3.99	13.5
Australia	All Ordinaries	2989.5	2961.3	2950.5	2889.68 15/3/98	2458.20 1/9/98	2.87	23.5
	All Mining	592.0	589.3	578.7	713.10 23/4/98	499.80 31/8/98		
Jumped to new highs as bonds rebounded, but A$ languished. Banks and Santos outpaced while small and mid caps lagged.								
Austria	ATX Index	1202.24	1209.87	1200.85	1628.58 26/5/98	982.06 1/10/98	1.97	12.9
Ended lower after event-less session, with Erste Bank coming under pressure ahead of provisional 1998 results today.								
Belgium	BEL20	3343.80	3319.57	3302.18	3381.92 6/1/99	2357.78 10/1/98	1.58	22.7
Closed higher than European peers, helped by rally in selected cyclical issues.								
Brazil	Bovespa	10041.0	9574.0	9898.0	12238.00 15/4/98	4761.00 10/9/98	na	na
♣Stocks jumped 5 per cent as investors turned more optimistic following string of positive reports early in day.								
Canada	TSE 100♦	402.70	399.77	400.22	476.83 25/5/98	324.91 5/10/98	1.68	18.6
	Metals Mins♦	3116.86	3043.17	3080.59	4380.01 10/3/98	2580.10 31/8/98		
	TSE300Comp♦	6608.80	6562.06	6565.75	7822.38 22/4/98	5335.70 5/10/98		
	Portfolio§§	3524.02	3493.18	3512.65	3985.81 25/5/98	2719.24 5/10/98		
♣Shares of country's largest nickel producers climbed on signs that recent correction in nickel price had ended.								
Chile	IGPA Gen♥	3981.59	3976.64	3933.89	4861.95 17/3/98	2980.95 14/9/98	3.16	13
China	Shanghai B	22.99	23.34	22.73	59.58 10/2/98	21.38 9/3/99	1.58	26.8
	Shenzhen B	46.68	46.96	44.78	98.97 10/2/98	41.58 10/3/99		
Hard-currency shares drifted back as demand abated after last week's steep rebound.								
Colombia	IBB	919.14	916.92	915.34	1431.46 7/1/98	778.17 14/10/98	na	na
Czech Republic	PX 50	368.7	371.6	372.7	517.30 23/3/98	316.80 8/10/98	na	na
Closed lower but off intra-day lows after losses in Komercni Banka weighed on main index.								
Denmark	CopenhagenSE	570.92	576.11	575.33	778.84 7/4/98	586.95 9/10/98	1.76	18.3
Retreated to five month low, dragged down by 5.4 per cent fall in blue chip Tele Danmark.								
Egypt	Cairo SE Gen	446.13	(c)	445.89	447.62 1/2/99	345.40 2/2/98	na	na
Persistent dollar shortage made for dull session, despite robust gain by MobiNil.								
Finland	Hex General	6263.59	6387.66	6418.28	6418.28 11/3/99	3228.43 12/1/98	1.61	24.5
Drop in Nokia and uninspiring trading day in Europe dragged market lower.								
France	SBF 250	2645.49	2642.80	2646.13	2799.73 17/7/98	1973.10 12/1/98	2.19	21.2
	CAC 40	4185.12	4175.03	4184.38	4388.48 17/7/98	2862.54 12/1/98		
Closed modestly higher, helped by last-minute rally on Wall Street.								
Germany	FAZ Aktien	1589.58	1611.08	1528.14	1940.80 20/7/98	1250.50 2/10/98	1.44	19.6
	DAX‡	5029.24	5008.16	4754.41	6171.43 20/7/98	3896.08 8/10/98		
Marked time as investors considered long-term implications of finance minister's resignation last Thursday.								
Greece	Athens General	3625.20	3537.90	3471.98	3625.20 15/3/99	1380.13 29/1/98	1.42	27
	FTSE/ASE 20	2255.21	2187.38	2133.46	2255.21 15/3/99	755.18 29/1/98		
Brisk trade in bank issues, ahead of Ionian Bank's privatisation, lifted market to new record close.								
Hong Kong	Hang Seng	10836.86	10801.76	10882.81	11810.60 25/3/98	6660.42 13/8/98	3.39	15.1
	HSCC Red Chip	752.90	742.24	744.30	1775.09 27/2/98	576.07 1/9/98		
Hutchison Whampoa and parent, Cheung Kong, firm ahead of results next week. In broader market falls beat rises by 5 to 4.								
Hungary	Bux	5819.67	5819.67	5832.22	9016.36 23/4/98	3775.02 21/9/98	na	na
India	BSE Sens.	3783.71	3702.81	3673.51	4280.96 21/4/98	2764.16 20/10/98	na	na
	S & P CNX 500	748.99	742.91	732.16	918.62 21/4/98	557.68 20/10/98		
Surged higher, helped by rally in blue chips and software issues as investors braced themselves for future correction.								
Indonesia	Jakarta Comp.	372.31	375.94	378.64	554.18 2/2/98	256.83 21/9/98	2.64	19.9
Bank reform package induced sharp gains in rupiah, but failed to inspire shares. Falls beat rises by 7 to 3.								
Ireland	ISEQ Overall	5331.98	5404.30	5427.37	5471.61 21/4/98	3745.11 8/10/98	1.95	20.1
Israel	Tel Aviv 100	339.24	(c)	333.75	339.24 15/3/99	249.19 8/10/98	na	na
Ended mixed after short session due to break-down in computer and phone connections.								
Italy	BCI Comit 30	370.69	364.79	369.25	389.60 20/7/98	249.51 9/10/98	1.96	25.9
	Banca Com Ital	1559.32	1570.43	1578.54	1654.36 7/4/98	1063.50 9/10/98		
	Mibtel General	25074.0	24713.0	25094.0	28377.00 6/4/98	16761.00 9/10/98		
Outperformed other European markets on back of Wall Street rally and helped by selective buying in blue-chip stocks.								
Japan	Nikkei 225	15779.60	15488.86	15502.14	17264.30 2/3/98	12880.00 9/10/98	0.89	56.2
	Nikkei 300	244.01	240.29	240.21	257.43 10/2/98	192.30 9/10/98		
	Topix	1211.18	1195.61	1196.18	1380.30 10/2/98	980.11 15/10/98		
	2nd Section	1427.47	1413.22	1394.71	1427.47 15/3/99	1028.84 13/10/98		
Lifted in active trade amid growing belief that the economy might have bottomed. Rises doubled falls and banks outpaced.								
Jordan	Amman SE	182.16	(c)	183.20	185.25 8/3/99	159.46 18/11/98	na	na
Fell across the board amid weak demand and sustained selling by speculators and floor traders.								
Malaysia	KLSE Comp.	518.45	526.79	523.27	745.36 27/2/98	262.70 1/9/98	2.7	15.2
Disappointing industrial production data overshadowed government's resounding election victory in Sabah state.								
Mexico	IPC	4769.60	4697.73	4679.80	5204.00 2/1/98	2856.19 10/9/98	1.14	15.9
♣Shares bolstered by strong local currency and advances in US and Brazil markets.								
Morocco	CASA	790.35	781.76	797.77	883.98 1/8/98	666.57 21/1/98	na	na
Netherlands	CBS TRtnGen	1320.0	1317.4	1305.6	1483.80 20/7/98	974.90 8/10/98	2.18	26.1
	CBS All Shr	734.6	733.1	726.8	845.00 27/7/98	548.10 8/10/98		
Ended marginally higher while investors awaited batch of company results and Friday's options expiry.								
New Zealand	Cap. 40	2166.78	2156.54	2137.01	2358.02 20/3/98	1658.24 2/10/98	5.15	21.5
Telecom led shares higher as debt market made gains ahead of Reserve Bank's monetary policy statement, tomorrow.								
Nigeria	SE All-Share	(u)	5412.15	5402.09	6504.87 11/2/98	2236.40 12/1/98	na	na
Norway	Oslo SE Ind	1827.03	1843.88†	1802.39	2370.88 4/5/98	1369.78 8/10/98	2.35	11.4
Market depressed by weak oil prices after strong rally earlier in month.								
Pakistan	KSE-100	1058.98	1052.00	1059.77	1746.31 2/1/98	765.73 14/7/98	na	na
Low interest rates inspired further gains. Fauji Fertilizer outpaced as rises beat falls by 7 to 4								
Peru	Lima Gen	1457.33	1462.70	1464.78	1903.91 4/5/98	1159.90 21/9/98	na	na
Philippines	Manila Comp	1941.34	1945.30	1950.52	2311.42 25/3/98	1082.18 11/9/98	1.35	14.4
Eased in face of 12.5bp cut in key overnight interest rate, as investors await economic data for signs of recovery.								
Poland	Wig	14014.8	14015.5	13831.5	18582.70 11/3/98	10473.70 9/10/98	2.13	9.5
Portugal	BVL 30	4616.4*	4622.07	4645.25	6176.89 22/4/98	3699.08 2/10/98	2.34	25
	PSI 20	10541.45	10652.37	10718.08	14283.80 22/4/98	8114.51 2/10/98		
Russia	RTS	83.83	82.98	82.23	411.61 5/1/98	38.53 5/10/98	na	na
Shares finished lower as rally sparked by optimism over oil stocks and hopes of deal with IMF ran out of steam.								
Singapore	SES All-S'pore	399.43	397.10	391.90	437.98 19/3/98	253.28 4/9/98	2.15	20.8
	Straits Times	1494.19	1485.74	1471.73	1698.75 19/3/98	805.04 4/9/98		
Banks and select blue chips lifted the main indices while falls beat rises by 11 to 7.								
Slovakia	Sax	81.63	81.55	81.52	182.48 5/1/98	81.40 3/3/99	na	na
Market crept higher in response to 9.5 per cent rise in average price of plastics maker Plastika.								
South Africa	JSE All Share	6408.8♥	6440.1	6385.1	8358.70 20/4/98	4684.40 11/9/98		
	JSE Gold	966.9♥	1002.5	1018.0	1310.60 8/10/98	672.80 18/3/98		
	JSE Indl.	7477.4♥	7502.8	7450.4	9942.70 20/4/98	5246.90 11/9/98		
Broad market closed lower, led down by golds as bullion price and rand remained soft.								
South Korea	KoreaCmpEx**	592.02	590.80	582.00	640.95 11/1/99	280.00 16/6/98	1.04	24.2
Demand from foreign investors and local retail sopped up supply from institutions and rises beat falls by 3 to 2.								
Spain	Madrid SE	888.31	896.76	904.39	947.62 17/7/98	642.29 5/10/98	1.91	22.1
Merger speculation sent banking sector up sharply.								
Sri Lanka	CSE All Share	529.95	533.05	536.70	789.70 4/5/98	461.08 3/9/98	na	na
Demand remained suppressed ahead of local elections and foreigners were net sellers.								
Sweden	AffarsvardnGen	3409.9	3419.9	3421.9	3955.88 20/7/98	2411.70 8/10/98	1.85	20.4
Shares failed to find inspiration in positive opening on Wall Street and closed weak after thin session.								
Switzerland	SMI Index	7240.9	7250.7	7322.6	8412.00 21/7/98	5128.50 5/10/98	1.34	24
	SPI General	4581.31	4588.18	4618.01	5237.39 20/7/98	3311.28 5/10/98		
Many investors sidelined ahead of 1998 results due today from Novartis and CS Group.								
Taiwan	WeightedPr.**	6598.32	6462.73	6436.80	9277.09 2/3/98	5474.79 5/2/99	1.56	20
Foreign and domestic demand for electronics shares - up 3.9 per cent - lifted the market as turnover swelled to T$103bn.								
Thailand	Bangkok SET	360.88	345.79	345.21	558.82 3/2/98	207.31 4/9/98	0.91	8.6
Sentiment boosted by passing of key economic bills. Banks soared 9.2 per cent and financials jumped 7.3 per cent.								
Turkey	IMKB Nat 100	4047.21	4124.11	4088.61	4630.99 18/7/98	1852.28 8/10/98	3.17	16.8
Concerns over possible delays to next months planned elections sent market lower.								
Venezuela	IBC	3978.12	4023.04	3965.45	7856.92 23/3/98	2694.70 10/9/98	na	na
Zimbabwe	ZSE Industrial	(u)	8453.06	8029.30	8795.71 31/3/98	5441.85 1/9/98	na	na
Indices eased although brokers said sentiment remained strong as investors reassessed market many felt had been oversold								
WORLD	FT/S&P World($)	(u)	317.21	316.22	318.51 6/1/99	242.36 5/10/98	na	na
	MS Capital Intl$	(u)	1188.1*	1183.3	1195.50 6/1/99	888.58 12/1/98	na	na
CROSS-BORDER	DJ Stoxx 50	3585.22	3577.81	3565.60	3670.82 20/7/98	2433.07 8/10/98		
	DJ Euro Stx 50	3582.78	3574.73	3521.63	3885.38 6/1/99	2419.23 8/10/98		
	FTSE E300	(u)	1254.68	1259.60	1327.88 20/7/98	893.55 5/10/98		
	FTSE E100	(u)	2911.64	2914.03	3066.91 20/7/98	2049.91 8/10/98	na	na
	HSBC Drgn	(u)	230.69	227.92	273.91 25/3/98	161.71 5/10/98	na	na
	ING Brngs Emrg	(u)	120.24	119.70	123.12 7/1/99	86.64 11/9/98	na	na

– Sat Mar 13: Taiwan Weighted Price (c) §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † XETRA-DAX after-hours index: Mar 15 - 5043.23 +12.17 † Correction. * Calculated at 15.00 GMT ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's) ♥ Subject to official recalculation. ♣ Yields and P/E ratios are based on Datastream Total Market Indices. ♣ Wasserstein.

THE NASDAQ-AMEX MARKET GROUP

4 pm close March 15

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX

4 pm close March 15

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

The EASDAQ All Share Index (EASI) for 15th March: 984.77 down 1.38% Day's high: 987.881 Day's low: 964.409

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low
4Front Technologies	USD9.23	-0.2	4780	11.5	5.5
ActivCard	USD4.2	+0.06	50066	5.89	1.57
Algeta	EUR17.25	-0.5	0	22.85	6
Artisoma	GBP0.43		0	0.47	0.38
Artwork Systems	EUR17.5	-0.05	6185	18.35	6.97
Autonomy Corp.	USD7.8	-0.08	64905	9.03	2.53
Chemunex	EUR1.05		1000	3.43	0.84
City Bird Holding	USD7.63	+0.05	3950	10.19	6.31
Dobrogea Holdings	GBP1.13		0	2.9	0.65
EDAP TMS	USD1.88	-0.28	0	7	1.43
EPIQ	EUR3.4		5050	5.3	2.11
ESAT Telecom	USD41.75	+0.88	0	52.5	21.19
Espace Prod. Int.	EUR14.86		800	18.45	14.2
Evol International	EUR28	-0.15	3010	50.14	19.48
FLV Fund	USD11.3	+0.09	22517	22.25	10.2
Global Graphics	EUR58.13	-0.25	985	59	26.37
Global TeleSystems	USD57.25	-1	526	65.9	21.63
Granger Telecom	USD6.72	-0.19	0	27.25	5.72
Grupo Formula	EUR11.68		700	33.83	6.14
ICOS Vision Syst	USD15.01	-0.07	3310	20.5	11.63
Innogenetics	EUR26	-0.18	22472	63.45	22.28
Integr. Surg. Syst	EUR2.28	-0.18	400	6.24	2.28
Lernout & Hauspie	USD29.63	+0.6	28634	65.25	27.56
Melexis	EUR10.88		2406	17.2	8.47
Memory Corporation♦	USD15.13	+0.48	58261	16.03	8.92
Mercer Int'l♦	USD6.55		0	11.75	5.75
NetVision	EUR37.95	-0.73	16522	45.35	30.75
NTL	USD61.38	-1	0	82.5	23.25
Option Int'l	USD24.03	+0.03	7247	67.63	23
Orthovita, Inc.♦	USD4.95	+0.8	52765	11.63	4.15
Pand Racing Syst.	EUR329.5		3098	574.27	216.2
Pharming	EUR7.5	-0.03	3375	15.20	7.73
Pixtech♦	USD1.88	-0.19	63327	7.63	1.88
Royal Olympic	EUR4.23	-0.03	0	15.86	2.47
S&T Syst Integrat.	EUR25		120	301.95	35.5
Schoeller-Bleckmann♦	EUR65	+1.75	1470	130.45	35.75
TelDaFax	EUR45.5	+0.25	10	61.25	36.04
Toocall Int'l♦	EUR32.16	-1.34	27495	61.63	19
Turbodyne Technol.♦	USD4.03	-0.35	56280	16.35	2.1

Prices for 15/03/99. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: http://www.easdaq.be EASDAQ offices are located in Brussels (Tel. 32 2 / 227 65 20) and in London (Tel. 44-171 / 489 0990). Annual/interim reports can be obtained for companies with a ♦ symbol in this box. Annual Reports Club telephone +44 181 770 0770. For further details, please see Share Price pages.

STOCK MARKETS

Wakeful Wall St nudges sleepy Europe

WORLD OVERVIEW

Equity markets closed modestly higher yesterday after an early rally on Wall Street provided a lead to a directionless Europe, *writes Bertrand Benoit.*

Asia opened the day on a *high note, with most* markets posting handsome, if not spectacular, gains. Tokyo was in the vanguard, adding 1.9 per cent on the back of an increasingly upbeat economic outlook.

The stock market rally extended to other countries *in the region,* with both Taipei and Sydney reaching fresh 1999 highs. The day's best performance came from Thailand, where investors cheered a newly adopted bankruptcy bill making it easier for investors to recover debts.

Europe initially declined to follow suit, held in check by Wall Street's negative performance on Friday. But a fresh rally in New York managed to pull the continent out of its torpor.

Milan was the star of the day, advancing 1.5 per cent, while Helsinki conceded 1.6 per cent.

Paris and Frankfurt marked time, moving a meagre 0.2 per cent ahead as investors retreated to the sidelines to consider the *implications of the resigna*tion of Oskar Lafontaine, the German finance minister.

According to Credit Suisse First Boston, the German government is now likely to shift away from models of fiscal expansion and to accelerate structural reforms. This new direction, which the European Central Bank has long argued for, could convince the ECB to cut interest rates by 50 basis points to 2.5 per cent by the summer, says CSFB.

*The improved growth pros*pect would benefit most European markets. A stronger euro would also make the continent more attractive to foreign investors, whose profits have been wiped out by the 6.8 per cent depreciation of the European currency *against* the dollar since January.

The battered Frankfurt market is among those most in need of a shake-up. In the last two and a half months, the Dax has underperformed the French market by 8 per cent and the Dow Jones Industrial Average by 7.8 per cent. Closing at 5,043.23 yesterday, it was a mere 0.7 per cent above its early January level.

"The positive market reaction so far reflected short-term *considerations,*" said Mark Howdle at Salomon Smith Barney, who thinks there is more upside for European equities.

"*Looking at the bigger pic*ture, Lafontaine's resigna*tion matters because it dem*onstrates that European economies are inoculated against a return to old-time socialist recipes."

Dow launches fresh attempt to hit 10,000

AMERICAS

US shares picked up after a mixed start, as strong sentiment for high-tech stocks and a series of earnings announcements and takeover deals gained the upper hand, *writes John Labate in New York.*

In early trading the Dow Jones Industrial Average came within striking distance of 10,000 points, but backed off after closing to within 50 points. The blue-chip index was 62.72 higher by early afternoon at 9,939.07, a gain of 0.6 per cent.

The broader Standard & Poor's 500 index gained 7.94 at 1,302.53, but it was a sharp rise in internet companies, computer makers and other high-tech leaders that powered a strong rise in the Nasdaq composite, up 1.3 per cent or 30.75 to 2,412.28.

Investors had a mixed response to the day's merger announcements. DuPont's *$7.7bn deal to acquire Pio*neer Hi-Bred sent Pioneer's *shares* $3 5/8 or 9 per cent higher at $37½. DuPont, a Dow stock, fell $1 1/16 to $56 7/16.

In the banking sector, Fleet Financial's $16bn stock-swap deal sent its shares down 5 per cent to $42 5/16, but BankBoston was up $1 13/16 to $47 13/16.

Two energy stocks pulled back after unveiling plans *for a merger. El Paso* Energy tumbled 10.6 per cent to $32 1/16 after it said it would buy Sonat in a deal valued at $6bn. Sonat was down $1 at $29 3/16.

In the internet sector, further indications of a possible unwinding of USA Network's *takeover* of Lycos sent Lycos up $5 7/8 to $104 1/2.

Transport shares were carried higher after UAL, parent of United Airlines, said it *would beat analysts' expec*tations of first-quarter earnings. *The news sent UAL up* $4 15/16 or more than 7 per cent to $72 and helped *raise* other airline stocks. AMR, parent of American Airlines, rose $2 13/16 to $60 13/16 and US Airways gained $3 7/16 to $55 11/16.

Qwest Communications was $3 3/8 higher to $73 after Morgan Stanley Dean Witter raised its rating to "strong buy" from "outperform".

Oracle, the second-largest *software company, gained* $1 3/32 to $29 21/32, as the stock rebounded from last week's sell-off triggered by a disappointing earnings report. Microsoft shares rose $2 7/16 to $162 3/4.

TORONTO tracked Wall Street higher in early trading, helped by a rally for banks, further gains for *energy stocks and a renewed* wave of corporate activity. *The TSE-300* composite index was 43.84 higher by midsession at 6,605.90

Among energy shares, Imperial Oil gained 55 cents at C$27.40. Gains for banks were led by Royal Bank of Canada and Toronto-Dominion, which improved 65 cents *at C$74.15 and 40 cents to* C$64.75 respectively.

A *hostile* bid sent Pacalta Resources up 95 cents at C$8.75. Suitor Alberta Energy shed C$1.10 at C$35.65. Golds were a weak feature, slipping lower on dull bullion. Barrick lost 55 cents at C$28.20.

Nervous Frankfurt edges up

EUROPE

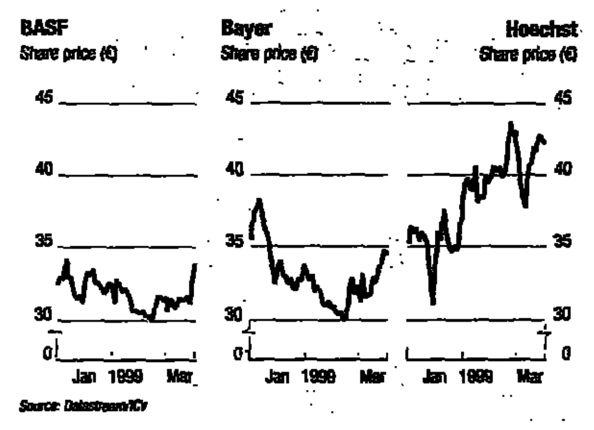
A more circumspect *FRANKFURT* continued to push higher after Friday's 5.1 per cent surge. The Xetra Dax ended up 12.17 at 5,043.23.

The benchmark hit a session high of 5,086.43 but unwound most of this upturn as nervousness in a number of sectors, notably chemicals, sparked profit-taking.

BASF tempered a warning *of lower profits this year* with a forecast of better times to come in 2000. The shares finished up €1.20 at €33.90 after dipping to €31.71 at one stage.

The trend elsewhere in the sector was uncertain at best. Bayer added 10 cents at €34.80, but Hoechst lost 37 cents at €42.40.

In utilities, RWE, up more than 20 per cent in two ses*sions at the end of last week,* fell €3.30 to €43.90. Rival utility Veba, boosted by the news that it had sold its 10 per cent stake in Cable and Wireless of the UK for a net *profit of DM2.6bn, gained* €1.45 at €53.95.



Source: Datastream/ICV

The FTSE Eurotop 300 index fell 7.67 or 0.61 per cent to 1,252.01. See Euro Prices page.

Thyssen rose €11.2 to €179.50 on an upgrade to outperform at Deutsche Bank. Among financials, Allianz came off €1.59 at €304.41 in spite of an upgrade to buy by J.P. Morgan.

PARIS ended virtually flat at the end of a volatile day *as investors adopted a wait*-and-see attitude. The CAC-40 ended 10.49 higher to 4,185.12, after a late rise on Wall Street rescued it from negative territory.

Investors, however, were largely unfazed by a statement from Dominique Strauss-Kahn, finance minister, forecasting a "quite *marked" recovery in second*-half French growth.

Banks had a mixed day, with many investors taking profits in the absence of news about the fast-moving M&A scene. BNP closed €2 or 2.5 per cent lower to €78, while Paribas conceded 10 cents to €100.10. CCF rose €2 to €86.70 and Société Générale was up 30 cents to €164.

Eurotunnel ended 7 cents or 4.5 per cent lower to €1.49 despite reporting its first ever profits. Traders blamed the fact that shares looked overvalued.

Electrical equipment maker Carbone-Lorraine stole the show, adding €3.70 *or 9.4 per cent to €43.20 on* strong 1998 results reported last week.

AMSTERDAM brushed aside downward pressure from the options market ahead of Friday's expiry, sending the AEX index up 2.03 at 535.05.

Telecoms leader KPN came off 30 cents at €41.40 in *spite of an upgrade to buy* for the shares by CSFB *ahead of this week's results.* Nedlloyd, the shipping group which also puts out figures shortly, jumped €1 or 9.2 per cent to €11.85.

Content Beheer, which reports on Thursday, surged €1.55 or 11 per cent to €15.65 amid talk that a rival jobs *agency, possibly foreign,* was teeing up a takeover approach.

Foods group Numico shed 20 cents at €36.80 in spite of a Goldman Sachs upgrade to outperform for the shares.

ZURICH finished marginally lower after a session in *which many investors were* sidelined awaiting 1998 *results from Novartis and CS* Group.

The SMI index turned back from an early high of 7,297 to close 9.8 weaker at 7,240.9.

Financials began firmly but mostly ran out of steam. UBS lost SFr1.50 to SFr479 while CS Group gave up SFr3 to SFr249.50.

Analysts said, however, that if the bank's results lived up to expectations, a target price of SFr280 to SFr300 would be realistic.

Novartis sliped SFr18 to SFr2,583 and Roche certificates finished SFr50 lower at SFr18,050.

Kuoni was flat at SFr5,500 *after reporting a net profit* rise for 1998. The group, which has announced a merger with British tour operator First Choice Holidays, said there was scope for the merged company to make acquisitions.

MADRID edged higher, helped by gains on Wall Street and speculation of *more mergers that sent some* banking shares up sharply. *The general index finished* 1.55 higher at 898.31.

Argentaria was an outperformer, rising 3.6 per cent to €22.80 after Francisco González, chairman, told a share*holders meeting the bank* was open to mergers.

BBV, *seen as likely to take* over or merge with another Spanish bank, edged 2.2 per cent higher to €13.91. Popular, seen as a possible target for takeover, gained 1.9 per cent to €61.80.

Tabacalera slipped 0.6 per cent to €21.11, shedding more of the gains it made last week on speculation it *could merge with* France's Seita. The Spanish group *soared nearly 8 per cent on* Thursday after remarks by Seita's chairman *that* a merger was one of several possibilities.

MILAN picked up during the second half of the session, lifted by Wall Street and gains in a handful of blue chips. The Mibtel index finished 361 higher at 25,074.

Banks were in focus at the start of a crucial week for a *possible merger involving* BCI. Speculation yesterday suggested that *BCI* could still link up with Banca di Roma instead of Unicredito.

BCI, which holds a board meeting on Thursday, lost 1 per cent to €6.54 while Banca di Roma, which presents 1998 results to analysts today put on 3.3 per cent to *€69.50. Unicredito picked up* from a low of €5.05 to close 1.4 per cent higher at €5.26.

Written and edited by Michael Morgan, Jeffrey Brown, Paul Gregan and Mark Herlihy

São Paulo hopes tax cuts will lure foreigners

SAO PAULO moved ahead strongly as investors anticipated an influx of outside capital following a reduction from 2 per cent to 0.5 per cent in the IOF – the financial transaction tax paid by foreign investors.

Blue chips moved ahead *across the board. Eletrobrás* jumped 5.3 per cent to *R$30.20 and Telebrás was* also in demand with the receipts rising 2.6 per cent to R$136. Petrobrás gained 4 per cent to R$210.

In what brokers described as fairly good two-way trading, the benchmark Bovespa index was up 510 or 5.3 per cent at 10,084 at midsession.

MEXICO CITY also moved higher, helped by the upturn in sentiment for Brazilian equities and a *good start* in the foreign exchanges for the *peso. At midsession,* the IPC index was up 49.92 at 4,747.65.

SANTIAGO was flat to down at midday as profit-taking pushed down stocks. Demand for Entel provided some upward pressure.

The IPSA index was down 0.1 per cent to 115.04. Telecom Entel was trading at 1,015 pesos, up 2.5 per cent.

Golds take Jo'burg off highs

SOUTH AFRICA

A steep fall for gold shares led Johannesburg lower, reversing the string of 12-month peaks that have been achieved in recent sessions.

The all share index shed 30.3 at 6,409.8. Industrials lost 0.3 per cent at 7,477.4 and financials came off 0.7 per cent at 9,555.6. Golds, checked by a soft rand and weak bullion, gave up 3.6 per cent at 966.9.

Gold Fields fell R2.20 cents to R38.50 and AngloGold lost R10 at R258.88.

EMERGING MARKET FOCUS

Bangkok owes debt to reforms

Having fretted for months over the ability of recalcitrant debtors to delay painful restructurings by hiding behind toothless laws, investors in Bangkok are now free *to find new worries* in the corporate wreckage.

The conservative Senate on Friday finally approved undiluted bankruptcy and disclosure laws. Investors celebrated by lifting the SET index 4.4 per cent to 360.88 yesterday.

An attempt by some financially challenged senators to defang the legislation with a partial debt moratorium was overwhelmingly rejected. "We can now look forward to a *gradual recovery rather* than a gradual retreat," said James Mitchell, the vice president of Solomon Smith Barney in Bangkok.

The hope that new legal sticks will enable banks to cow more debtors into servicing their obligations prompted a 9.2 per cent jump in the banking sector.

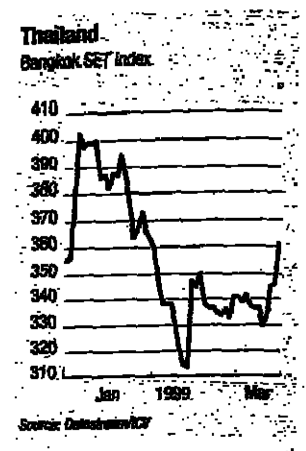
Yet if the new legislation successfully accelerates debt *restructuring, it will inevita*bly mean that the banks *have to take write-offs that* wipe out what little equity remains.

Takahira Ogawa, regional director for Standard & Poor's, warned yesterday that his agency would consider changing Thailand's BBB-minus sovereign debt *rating only after the massive* recapitalisation of the bank*ing sector was complete.*

It also remains to be seen whether modern *foreclosure* laws will work in a slow and corruption-prone judicial system.

"At least it should bring comfort to potential foreign investors and scare some strategic NPLs [debtors who can pay but will not] into *settling," said a Thai fund* manager.

The Senate vote may have opened up "a significant trading rally", in a market that has been stuck between 300 and 420 on the index,



Source: Datastream/ICV

according to Chris Wood, regional strategist at ABN Amro Securities. It hit a low of 230 last year.

Mr Wood upped his Thai exposure from underweight *2 per cent to overweight 6* per cent on the eve of the vote. Neutral is 4 per cent.

Barring nasty surprises, investors' best hope this year is likely to remain that the market starts to anticipate a real recovery as 1999 unwinds. A key moment is likely to be when the banks' focus turns again from mere *restructuring to lending.*

Investors can realistically look forward to a year of progressive reratings. Few observers expect prices to be lifted much by economic numbers until they start to turn up significantly in 2000.

Ultimately Thailand's attractiveness will depend on its ability to rebuild the *cheap labour-industrial hub* investment story that was shattered in the crash.

"Stock markets tend to move on stories, on sentiment," said Peter Redhead, head of equities at ING Barings in Bangkok.

"The market needs a new investment story drawn from the core strengths like a *big domestic market and* agriculture. That's where we should now be looking to see how this government is performing."

William Barnes

Nikkei rises on new optimism

ASIA PACIFIC

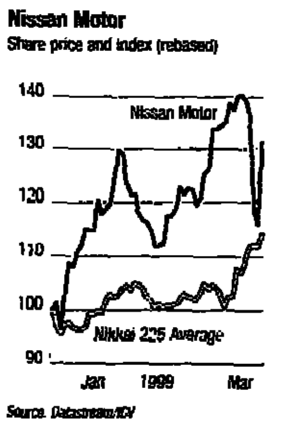
Optimism that the economy might be emerging from recession sent **TOKYO** higher, *writes Gillian Tett.*

The Nikkei 225 average rose 290.74 or 1.9 per cent to 15,779.6. *The Topix index of* all shares rose 1.3 per cent to 1,211.18, while the Nikkei 300 rose 1.6 per cent to 244.01.

The rise was sustained on heavy volumes. The daily turnover was about 700m shares, down from 1.3bn on Friday but still sharply *higher than the levels seen* during most of last year. Gainers outpaced losers 810 to 401, with 11 issues unchanged.

The rise partly reflected hopes that the economy was *now recovering as a result of* the spending packages *unveiled* last year. Some economists were also cheered by pledges from Masaru Hayami, governor of the Bank of Japan, that the central bank remained committed to a loose monetary policy.

Foreign investors have *also been buying heavily* now parts of corporate Japan are restructuring. And though this was limited to smaller companies initially, there are signs that the trend is spreading to larger groups as well.



Source: Datastream/ICV

One factor boosting the *market, for example,* was the news that Renault, the French car group, is considering taking a large stake in Nissan Motor. Nissan rose Y53 or 13.2 per cent to Y454, making it the most heavily traded stock.

Bank shares have also *been* volatile in the aftermath of restructuring plans unveiled late last week. Bank of Tokyo Mitsubishi rose Y55 or 3.7 per cent to Y1,560 and Fuji Bank rose Y27 or 4.5 per cent to Y6.30. However, Sakura fell from Y323 to Y300, before later closing at Y325.

SYDNEY rose to a record high with the All Ordinaries index gaining 28.2 or 1 per cent to 2,989.5. Banks stayed *active and by the close the* sector had added 1.7 per cent. NAB rose 33 cents to A$28.39 and Commonwealth surged 33 cents to A$26.65.

Among energy stocks, Woodside Petroleum gained 16 cents to A$9.01 *and* Santos, which unveiled lower *1998* profits, hardened 11 cents to A$4.69.

KUALA LUMPUR lost 2 per cent as worse industrial production data than expected outweighed the government's election victory in Sabah state. The composite index lost 10.34 to 518.45.

Prices moved higher initially on the poll win but could not sustain the rise due to foreign selling following the release of data that indicated economic contraction could be more severe *than expected.*

Sime Darby lost 26 cents to M$3.80 ahead of half-year results tomorrow. Even though the conglomerate is expected to return a profit after the sale of its loss-making bank, weakness in its overseas and heavy equipment divisions could trim earnings.

BOMBAY was sharply higher at the start. The *BSE-30* index rose 80.90 or 2.2 *per cent to 3,783.71.*

Index heavyweight Hindustan Lever led gains with a rise of Rs91m to Rs2,240 as the stock entered a "no delivery" period.

Software stocks were also *in demand after* last week's successful listing of Infosys Technologies on the US Nasdaq exchange. Wipro rose Rs310.25 to Rs4,188.50. Satyam Computer Services added Rs112.75 to Rs1,522.25 and Pentafour Software rose Rs86.75 to Rs1,173.50.

TAIPEI surged 2.10 per cent to its highest level this year on growing optimism about recovering Asian economies. The weighted index added 135.59 to 6,598.32, lifted by sustained foreign buying *in high-tech stocks.*

The electronics sector, the largest constituent of the main index, rose 3.85 per cent. Brokers attributed the rise largely to foreign funds, which showed net buying of T$9.5bn last week.